THE POLITICAL DISCOURSE OF GLOBALISATION:

GLOBALISING TENDENCIES AS SELF-INDUCED EXTERNAL ENFORCEMENT MECHANISMS

by

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Abstract

By now, the conventional wisdom of globalisation is well-known. It tells the story of a radical circumscription of policy-making autonomy. A heightened incidence of international capital mobility has been sufficient to place all governments in an effective political straitjacket. Internatonal financial markets are assumed to tolerate only the most strictly orthodox monetary policies; governments which ignore these new structural economic realities face 'punishment beatings' administered by the markets in the form of mass capital flight. This story is now so familiar that we are often told that it needs no repetition.

In this thesis, I distance myself from such a conclusion. I suggest that its very familiarity is itself a source of analytical interest. Such is the frequency with which public policy-makers appeal to these new 'structural realities' as an automatic guide for policy that it is possible that the conventional wisdom of globalisation has itself become a conditioning influence on policy. I illustrate this argument with respect to the British case in general and, in particular, with respect to New Labour's constant invocation of the 'demands' of a global economy to rationalise its distinctive policy choice.

I begin with a critical deconstruction of the conventional wisdom of globalisation. If the world does indeed resemble that depicted in the conventional wisdom, the claim that policy change is structurally determined at the economic level could well be sustainable. However, I show that globalisation rhetoric corresponds poorly with globalisation reality, suggesting that other causal influences on policy change must also be explored. I argue that in addition to examining the international economic conditions of domestic political change, a more comprehensive understanding of the globalisation experience emerges if we also examine the domestic political conditions of international economic change. Viewed through such a perspective, New Labour's appropriation of the conventional wisdom of globalisation appears to be strategic. The repeated appeal to 'globalising necessities' has been used to displace the need for active consent to the political status quo in Britain. So long as the conventional wisdom continues to resonate within public discourse, the continued reproduction of the political status quo seems secure; even though I demonstrate that the management of the economy within the parameters of that status quo has become increasingly contradictory. Moreover, so long as the government acts in a manner consistent with the globalisation hypothesis, I show that path-dependent effects threaten to lock-in precisely those structural constraints which its globalisation rhetoric at present purportedly merely describes. As a consequence, this process of lock-in would then also inscribe the current contradictions within the government's economic policy as a structural feature of the macroeconomic regime.

This thesis is dedicated to my grandparents.

Frederick Herbert Long (04.12.10 - 23.10.77)
Lilian Mary Long (17.12.14 -)
Harry Basil Watson (15.03.12 - 08.10.96)
Hilda Watson (26.02.13 - 28.02.99)

It is to my lasting regret that they will not all be able to witness its completion.

CONTENTS

Introduction:

Chapter One:

Chapter Two:

INTRODUCTION:

CONSTRUCTING A RESEARCH AGENDA

FOR THE STUDY OF ‘GLOBALISING OUTCOMES’

> "'Globalisation' is the most over-used and under-specified concept of the post-Cold War era." (Higgott 1999: 2)

Richard Higgott is surely right: 'globalisation' *is* the most over-used and under-specified concept relating to the structure of the world in which we live. Indeed, this claim has now been accepted within the academic community to such an extent that the simple statement that 'globalisation' is an over-used and under-specified concept has *itself* become over-used and remains under-specified. The aim of this thesis is to attempt to render explicit the precise ways in which the concept of globalisation remains under-theorised both in the existing academic literature and in wider public policy-making discourse.

'Exemplary Questions' in the Globalisation Literature

The academic debate on globalisation has passed through a number of distinct phases (see Kofman & Youngs 1996; Hay & Marsh 1999 for possible typologies). A particular exemplary question has tended to animate the prevailing research agenda relating to the study of globalisation during each of these phases. Indeed, the move from one phase to another has typically been activated by the move from the dominance of one exemplary question to another. Hence, the exemplary questions themselves become a useful means of classifying the development in the literature.

The majority of the early debate on globalisation revolved around the perceived 'consequences' of globalising tendencies, tendencies which were themselves treated as unproblematic independent variables. In other words, the most frequently asked questions took the form of what globalisation '*does*'. Attention consequently focused on the kinds of political interventions which globalisation either 'forced' governments to make, or 'prevented' them from making.

Interestingly, much of the public discourse on globalisation, and therefore much of the policy-making debate set within the context of globalisation, continues to be couched in these terms. The initial academic construction of the significance of globalising tendencies continues to exert a disproportionate influence on the policy-making process. This is surely significant, if for no other reason than that the academic debate itself has moved on from its initial construction of 'globalising necessities'. Indeed, whilst still framed in terms of the exemplary question of what globalisation 'does', the academic literature took a decisive turn towards deconstructing the very notion that globalisation came complete with any 'necessities' at all. Put simply, the general orientation of the literature oscillated wildly from one extreme to another. Initially, it tended to be assumed that globalisation 'did' all manner of things, effectively providing a political blueprint from which no government had the luxury of opting out. Subsequently, however, it tended to be assumed that globalisation 'did' little, or maybe even nothing at all. The paradigm-shift which much of the early literature had attributed to the emergence of globalising tendencies (see, for instance, Levitt 1983; Ohmae 1990; Greider 1996; Thomas 1997) was latterly recast as being largely mythical (see, for instance, Hirst & Thompson 1996; Wade 1996; Rodrik 1997; Doremus et al 1998). At this point, the academic debate on globalisation reached something of an impasse, with an increasingly sophisticated range of mutually-contradictory empirical 'evidence' being presented by first one side and then the other.

The debate made little headway until a rather different research agenda emerged under the influence of a new exemplary question. The general orientation of the literature has moved from asking questions about what globalisation 'does' to questions about what globalisation 'is' (early examples of such work being, for instance, Kofman & Youngs 1996; Mittelman 1996). This change has been significant. For, it has moved the debate from a concern with the material extent of globalisation, to a concern with how the world has come to be globalised to the extent that it has in the first place. Globalisation has therefore ceased to be an unproblematic independent variable, and has increasingly become a dependent variable which it is necessary to render problematic in the search for analytical clarity. That search has been animated by a desire to transcend conventional understandings of globalisation, from which consciously acting subjects have tended to be conspicuous by their absence. As soon as globalisation is understood as a process, and globalising outcomes as effects which are actively formed, it is clear that accounts of globalisation must include references to consciously acting subjects.

By asking questions about what globalisation 'is', political subjects have been increasingly inserted into accounts of globalising processes. This has allowed the academic debate on the current restructuring of the international economy to be released from the impasse of an ever more sterile discussion of what, in strict empirical terms, would count as being evidence of a world consistent with the globalisation hypothesis. In particular, such developments have been the cue for the analysis of globalising tendencies to be situated within a more explicitly theoretical perspective. Where once the debate centred on how much market interdependency was required for us to sustain plausible narratives about the international economy having been globalised, now its focus tends to be on who is driving the tendency towards market interdependence, and why they should be doing so.[1]

[1] Of course, there is also a burgeoning literature on cultural aspects of globalisation (see, for instance, Featherstone 1990; Giddens 1990; Robertson 1992; Lash & Urry 1994; Axford 1995; Waters 1995; Albrow 1996; Appadurai 1996; Wilson & Dissanayake 1996; Sassen 1998). However, my concerns centre specifically on the political economy of globalisation. As a consequence, the focus of the chapters which follow will be restricted to this latter area.

It is within the context of this latter literature that this thesis should be read. My aim is two-fold: to deepen existing knowledge derived from asking the question of what globalisation 'is', whilst simultaneously extending the analysis in altogether new directions. In particular, I intend to depart from the parameters of the existing literature by asking not only about the processes which constitute evidence of globalisation, but also about the processes which the reflex political appeal to the image of 'globalising necessities' is used to obscure.

Put simply, the thesis focuses on the causal tendencies which are currently driving economic restructuring at both the national and the international level. However, I suggest that the relationship between structural economic change and globalisation is more complex than a simple line of causation running from the latter to the former would imply. This may well be the notion of causality which dominates much of the academic literature as well as almost all public policy debates, but it will not feature in the chapters which follow here. The very word 'globalisation' now tends to be used in both academic and public discourse as a unifying signifier capable of describing and explaining every aspect of current economic restructuring. Yet, there are no grounds on which to construct this simple conflation between 'globalisation' and 'change'.

If there is a single assumption on which this thesis is founded, it is that conceptual clarity is sacrificed whenever 'globalisation' and 'change' are treated as synonyms. It may be true that some aspects of recent international economic restructuring have involved an increase in market interdependencies across space, much as the globalisation hypothesis would predict. In other instances, however, whilst structural change has certainly occurred, the defining feature of that change has not necessarily been that it is global in nature. Hence, globalisation is not always even a good *description* of the restructuring tendencies which are currently visible within the international economy. To then ascribe *causal* status to globalising processes in such circumstances must surely, then, be a mistake.

I argue that it is an open empirical question as to which aspects of recent international economic restructuring can be *described*, let alone *explained*, through reference to globalisation. All-too-often in the existing literature, however, the causal status of globalisation is unchallenged. This has resulted in globalisation being introduced as an explanatory variable even in circumstances in which we have other explanatory variables at our disposal which may make our analytical accounts of international economic events more precise. For instance, the significance which is currently attached to constructing academic debates on economic policy through the perspective of globalisation runs the very real risk of 'crowding out' from the intellectual market-place, amongst others, debates concerning financial liberalisation, tariff reform and regional economic integration.

This is my major source of contention with the academic literature on globalisation as it is currently constituted. Of course, this is not to imply that every account of international economic restructuring should be adversely labelled in this way. Yet, so long as this is read as a statement about the general orientation of the literature rather than every piece ever written about globalisation, it would seem to hold.

My appeal to others working on the political economy of globalisation is four-fold:

i) to distinguish clearly and unambiguously between those instances in which globalisation is being used solely as a *descriptive* term, to describe the current state of the world; and those instances in which it is being used as an *explanatory* term, to explain the way in which that state of the world was created;

ii) to treat the difference between the descriptive and explanatory uses of globalisation as an empirical question, and to note that the answer to that empirical question is likely to be specific to the market, factor of production, commodity, country etc under review;

iii) to resist the temptation to follow public discourse by labelling all processes of contemporary economic change as 'evidence' of globalisation, even in circumstances in which more accurate descriptive or explanatory terms are available; and

iv) to analyse the way in which the misattribution of causal status to globalisation can itself have subsequent political effects; and to hold open the possibility that a desire to produce such effects may even lead to the strategic misuse of the concept of globalisation within public policy debates.

These are the conceptual concerns which animate this thesis. I turn now to the way in which these concerns are applied in the chapters which follow.

The Case for an Ideational Turn in the Study of 'Globalising Outcomes': The Discourse of Globalisation as Independent Causal Influence

There are a number of claims to novelty to be found in the chapters which follow. All, however, are based on a single break with the general orientation of the political economy literature on globalisation. It is usual for globalisation to be viewed as a material economic process, and for 'globalising necessities' to be read off as a political epiphenomenon of that process. Here, by contrast, I suggest that the existence of the material economic process is by no means a prerequisite for the existence of the 'globalising necessities' which tend to be attributed to it. It may appear somewhat paradoxical at first glance, but I argue that globalisation per se is not automatically a prerequisite for the institutionalisation of 'globalising necessities'. In other words, it is possible that governments are undertaking political reform, aided and abetted by appeal to the 'conditioning effects' of an external economic structure which is far less pervasive in reality than it is in rhetoric. I suggest that the very appeal to the image of a determining external context has a more significant political impact than the actual nature of that context would justify. As such, I conclude that *ideas* about globalisation can have an independent causal influence on subsequent political outcomes.

Little has thus far been written from such a perspective (although, for rare exceptions, see Piven 1995; Douglas 1996; Schmidt 1997; Hay & Watson 1998; Watson 1999b; Hay, Watson & Wincott 1999; Rosamond 1999). Given the exponential growth in the political economy literature on globalisation in recent years, this perhaps might seem surprising.[2] Furthermore, given the potentially fruitful lines of investigation which such a perspective opens up, it is perhaps also to be lamented.

My aim in what follows is to identify the outline of a future research programme in this area. As such, I am aware that the empirical content of the thesis is somewhat limited. I have only a single case study, for instance, and the lack of a comparative perspective within the empirical material reduces the status of the case study from the potentially explanatory to the merely illustrative. In addition, for an analysis which concentrates on the significance of the way in which ideas are first formed and then articulated, there is a noticeable absence of primary interview data. Rather, I rely on speeches and public interviews given by senior party officials, as well as on a whole host of supporting party policy documents. As such, it is to be hoped that the thesis will be read as part of a wider research programme. It remains work in progress insofar as it represents stage one of a two-stage process. Stage two will entail the collection of more extensive primary data

[2] However, given the rather isolated nature of analytical accounts which do no more than pay lip-service to the independent causal influence of economic ideas in general, this may not actually be *that* surprising. For

across a range of different countries. The aim in the chapters which follow is to provide a conceptual framework suited to the task of organising that data as and when it is processed.

The analytical content of stage one of this wider research programme revolves around the claim that the impact of globalisation on domestic economic policy may be rhetorical as well as substantive. This is *not* to suggest that the experience of 'globalising necessities' within society is any less real in circumstances in which their origins are rhetorical. It is merely to suggest that the economistic notion of causality which dominates much of the debate about globalisation is more problematic than is often argued. I suggest that governments act on perceptions of reality rather than on any unmediated objective reality. In a contingent world of incomplete information, it is extremely rare for us to experience a moment in which there is an absolute correspondence between perceptions of reality and actual reality.

Two observations should be made at this stage:

> i) Firstly, if it is to be assumed that governments act on perceptions of reality rather than directly upon reality per se, the existence of a determining economic structure is by no means a necessary condition for governments to act in a manner consistent with the existence of such a structure. In other words, the mere perception that we now live in a world of 'globalising

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examples of work which seeks to overturn this orientation within the political economy literature, see Hall necessities' may be all that is required for governments to implement the policy prescriptions of those 'necessities'.

ii) Secondly, it is clear that the government's control of the educative functions of the state means that it is highly influential in the process through which a dominant perception of reality first forms and then becomes accepted as part of 'common-sense' within society. Therefore, it is necessary to explore not only the way in which governments act on perceptions of reality rather than reality per se, but also the way in which governments are actively involved in the creation of those perceptions in the first place. This suggests that, contrary to the claims of the conventional wisdom of globalisation, governments are not necessarily the innocent victims of exogenous economic forces. We must also hold open the possibility that some governments may have strategically appropriated the image of 'innocent victim' in order to facilitate their domestic political goals. Such a possibility remains even more unexplored in the existing literature.

Viewed through such a perspective, the lines of causation which dominate the existing literature on globalisation immediately begin to look more blurred. One of the more intriguing lines of investigation which this perspective opens up is the possibility that a dominant discourse of globalisation becomes some form of self-fulfilling prophecy. At the very least, acting in a manner consistent with the assumption of globalisation is likely to summon the consequences that such an assumption would predict. Ideas about

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1989; MacNamara 1997; Carrier & Miller 1998; Blyth 2000.

globalisation may therefore have to be treated as a political trigger which serves to *create* the institutional realities which they are simply meant to reflect (on which point, see also Piven 1995; Panitch 1996; Rose 1996; Hay, Watson & Wincott 1999). In other words, governments which enlist the image of an exogenous economic straitjacket may, through the consequences of their own actions, serve to produce institutional arrangements which actually *do* act as some sort of straitjacket on the realm of the politically possible (this is an issue which I explore in depth in chapters 6-8; see also Watson 1997, 1999a, 1999b).

The tendency towards central bank independence offers the clearest example of such a process. The appeal to 'globalising necessities' in order to rationalise such a tendency has become a standard feature of public policy discourse.[3] 'The markets', it is said, will not tolerate anything other than the strictest macroeconomic orthodoxy. The threat of capital flight consequently conditions the search for a new institutional bargain which mitigates against the pursuit of more heterodox monetary policies. Typically, that search has ended with the move to delegate monetary policy-making responsibility away from institutional arrangements which have shown themselves to be permeable to democratic demands, and towards institutional arrangements which are dominated by purely technical concerns.

[3] This is true both at the national level (witness the rhetoric and the actions of a whole range of domestic governments) and at the international level (witness the rhetoric and the actions of a whole range of international financial institutions).

Moreover, this is not all. In purely technical terms, the ability to demonstrate an inflation-sensitive macroeconomic policy can be approached from a number of different directions. This is not only a theoretical possibility, but an empirical fact as well. In previous time periods, 'the markets' would appear to have been placated by government policies crafted from a range of often mutually incompatible macroeconomic stances. In other words, the actual history of capital flows suggests that financial markets operate along rather more complex lines than the uni-dimensional logic which dominates the image of 'globalising necessities'. However, it has been precisely this image of a single systemic logic to market action which has been used to justify not only the transfer of policy-making initiative to central banks, but also the specific appointment of conservative central bankers to oversee the policy-making role.

This distinctive pattern of appointments has had two effects. Firstly, and most obviously, it has confirmed that the move to new institutional arrangements for the conduct of monetary policy would be followed by the introduction of a strictly orthodox monetary policy. Furthermore, the 'behind closed doors' element to the decision-making process within the new institutional arrangements means that popular political mobilisation to the demands of monetary orthodoxy is no longer necessary for the reproduction of such a stance.

Secondly, and perhaps more importantly, the move to new institutional arrangements for the conduct of monetary policy (both domestically and internationally) threatens to *create* precisely the uni-dimensional logic to market action to which it is supposed to be a *response*. To the extent that it makes sense at all to view capital flows as the markets passing judgement on domestic economic policy, the markets tend to judge government behaviour on the basis of what governments say they are going to do. In previous time periods, then, when different governments announced that they intended to pursue their economic goals in a range of different ways, the markets judged their relative success or failure accordingly. This is what accounts for the apparently multi-dimensional logic to market action at that time. However, with the appeal to 'globalising necessities' acting as a trigger for convergence around new international institutional norms, the pursuit of domestic economic policy goals has also tended to undergo a process of convergence. As a consequence, governments are increasingly asking the markets to judge them on the same basis, and capital flows have been reconstituted accordingly.

What we have seen emerging, then, may well be the appearance of a uni-dimensional logic to market action. However, irrespective of attempts to rationalise such a logic in terms of being simply 'the way things are' in an era of globalisation, it is important to note that this logic did not pre-exist the institutional arrangements which make its appearance possible. It may well be that the pattern of contemporary capital flows increasingly suggests a market preference for only the strictest of macroeconomic policies, but this is because governments have constructed new institutional arrangements for the conduct of policy which accept the claims of macroeconomic orthodoxy. As such, capital flows which circumscribe the parameters of the politically possible are every bit as much the *consequence* of externalising monetary policy-making responsibility as they are its *cause*. Indeed, if we are looking for the cause of such a tendency, then we perhaps need to look no further than the process through which the mis-specification of 'globalising necessities' has led to the assumption of an absolute imperative to delegate policy-making responsibility away from democratic decision-making structures. Whether that mis-specification has been unintended or strategic must remain an open empirical question at this stage, but this is an issue to which I return in later chapters.

For now, it is sufficient that this illustration demonstrates that ideas about globalisation are a significant independent causal influence on the production of 'globalising outcomes'.[4] This, of course, should not be confused with a rather more extreme ontological claim that there is no extra-discursive realm. That is most definitely *not* my position. I do suggest that changes in the way in which the extra-discursive realm is perceived can have an important conditioning effect on the way in which that realm is subsequently experienced. But this is clearly not to claim that there are no material structures underpinning the international economy. Nor is it to claim that those structures have not been subjected to crucial dynamics of change in recent years. However, it *is* to insist that the mechanisms of change are treated as an endogenous process, and that ideas about globalisation are treated as an integral element of that endogenous process.

Nowhere is it more clear that the structures of the international economy are being forceably reconstituted than in the recent deregulatory blitz within the international financial markets (see, for instance, Eichengreen 1996; Helleiner 1996). Every attempt has been made to ensure that those markets operate in a manner consistent with a global equilibrium in asset prices. Yet, there is no sense in which this should be seen as a 'natural' tendency, and certainly no sense in which it is an 'inevitable' outcome of a globalisation process which itself is seen as a 'natural' tendency.

Throughout the thesis, I challenge the idea that the word 'globalisation' serves either as a useful description or a useful explanation of the changes which have recently been imposed on the financial markets. The very term obscures more causal relationships than it reveals. The important context-shaping changes experienced within the markets in recent years are more precisely captured by the concept of liberalisation than by that of globalisation. The importance of the difference between the two concepts can be easily stated. Whilst the image of globalisation implies invisible hand dynamics effecting economic change at one stage removed from political control, that of liberalisation implies a much more visible political hand conditioning the context for future economic change.

This is significant. For, as soon as we accept that current processes of international economic restructuring are inherently political processes, we successfully transcend any assumption that there is anything at all 'natural' about them. Of course, this is different to saying that these processes have not become in any sense 'normalised'. To the extent that financial liberalisation has become accepted merely as part of the way that things now are, it can be argued that such a tendency has indeed become normalised. Certainly,

[4] Moreover, this influence is magnified when we add to the analysis the *interactive* effects of ideas about globalisation and the institutions which such ideas have helped to propagate.

the reproduction of liberal norms now takes place within a discursive context in which the irreversibility of recent financial market deregulation is increasingly taken for granted.

This is most definitely not to argue that financial market deregulation *is* irreversible. Western governments already have the technology at their disposal to tag international capital flows as a means of enforcing economic sanctions against non-western governments (see Bienefeld 1996). The same technology could therefore be used by an international regulator in order to tag speculative cross-border flows of hot money as a means of exposing short-term speculation to tax liability. To repeat, then, there are no technical grounds for supposing that financial market deregulation is irreversible. However, the very *idea* that the irreversibility constraint still applies has been used to prevent a discussion of the technicalities of reregulation from entering mainstream public policy debates.[5] Western public discourse has tended to define financial market reregulation effectively as a *non*-issue. As a consequence, political influence in the process of global market formation can be seen quite clearly as an agenda-setting influence. International financial markets continue to be restructured along the lines of a global equilibrium in asset prices, primarily because the discussion of any other form of financial regulation has been dismissed as irrelevant within a discursive context dominated by assumptions of the unquestionability of the drive towards liberalisation.

Once again, we return to the claim that ideas about international economic restructuring can have a causal effect on subsequent political choices independent of the material conditions of the restructuring process. At the very least, it would seem that ideas about international economic restructuring can serve to reinforce the policy implications of that structural reform. Indeed, in the chapters which follow, I make a somewhat bolder claim. I suggest that ideas about globalisation are used, often strategically, in order to enforce rather more exacting public policy constraints than the actual material extent of globalisation would appear to impose.

Structure of the Thesis

In Chapter One, I introduce and then challenge the validity of the conventional wisdom of globalisation. Given that my overall aim is to demonstrate that ideas about globalisation can have a causal effect on political outcomes independent of material economic processes,[6] it is important for me to show that there is a gap between the rhetoric and the reality of globalisation. Quite clearly, were the empirical evidence to reveal that the international economy had indeed been globalised in the manner predicted by the

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[5] Such an idea has clearly been politically-sponsored, and has proved to be highly convenient for its sponsors.

[6] In practice, causality may be more complex than implied by an 'either/or' condition suggesting that globalising outcomes are produced *either* by the material reality of globalisation *or* by ideas about globalisation. For, we might also expect causal tendencies to be established by the interactive effect of ideas and material circumstances. Whilst it is particularly difficult to distinguish unambiguously between the causal and the constitutive roles of ideas, I would argue that both roles are evident in the production of globalising outcomes. To keep the analysis as simple as possible at this stage, however, and to highlight the major distinction between this thesis and the conventional wisdom of globalisation which pays no attention to the independent impact of the ideational realm, I focus for now on the causal role of ideas.

globalisation hypothesis, then we could plausibly dismiss the possibility that ideas about globalisation have a causal impact on domestic political processes. For, in such circumstances, ideas about globalisation would be nothing more than a reflection of an actually existing material reality, and causal status could therefore be attributed simply to that actually existing material reality.

On the basis of a review of the empirical literature, however, this is a claim which I find both possible and necessary to reject. Market-clearing metaphors dominate the conventional wisdom of globalisation, and I organise my review of the literature around the existence of evidence that real-world markets operate in the manner predicted by such metaphors. I find that the assumption of supraterritoriality which makes the conventional wisdom's market-clearing metaphors resonate so strongly in political discourse is contradicted by the vast majority of the empirical data. As such, I conclude that contemporary capitalist practices remain embedded in distinct territorial locations.

This conclusion is significant for the arguments advanced in Chapter Two. Having demonstrated in the opening chapter that a significant gap does indeed exist between the rhetoric and the reality of globalisation, I turn more specifically in the second chapter to an examination of that rhetoric. In particular, I look at the way in which arguments about economic globalisation are linked to arguments about a political crisis of the state. Two distinct narrative strategies can be identified within this dominant political discourse of state crisis. The first relates directly to the market-clearing metaphors which I render problematic in Chapter One. Implicit within the conventional wisdom in this respect is the suggestion that conditions of globalisation force the state into a permanent 'crisis of territoriality'. The sweeping nature of this claim should not be downplayed. For, it implies that globalisation disturbs the continued reproduction of the very being of the state.

The second narrative of state crisis contained within the existing literature is less heroic in scope. In this reading, globalisation is not assumed to prevent the reproduction of the state per se, only certain functions which individual states may be called upon to perform if popular political mobilisation so dictates. The retreat of the state in an era of globalisation, then, is not necessarily a retreat into obsolescence. At most, it is assumed to be an asymmetric retreat, whereby external economic constraints have left some state functions unchanged, whilst others have been completely transformed. As a consequence, I suggest that this crisis narrative corresponds most closely to a 'crisis of rationality' (on which general point, see Habermas 1976). Insofar as it is possible to argue that the modern state is suffering from a 'territorial crisis' at all, this may be little more than the geographic expression of a wider 'rationality crisis'. It is within this sense of rationality crisis that we first encounter globalisation's political logic of no alternative. For, in circumstances in which a link is drawn between globalisation and a state 'rationality crisis', globalisation would seem to be confirming certain political interventions as *a priori* 'correct' and others as *a priori* 'incorrect'. Of course, this is exactly what the dominant discourse of globalisation does. It defines as rational all interventions of a market-liberalising nature, and it defines as irrational all interventions of a market-regulating nature.

In Chapter Three, I take issue with the implicit theoretical position on which the conventional wisdom of globalisation is based. Both of the crisis narratives contained within the dominant discourse assume a world in which states are increasingly losing power to markets. To sustain such an argument, however, first requires that states and markets are theorised as isolated aspects of social reality. Only in the absence of arguments that they are part of an integrated whole does it make sense to talk of a power transfer from one to another.

If this is indeed the claim on which the conventional wisdom of globalisation is grounded, then it is clear that the conceptual roots of the conventional wisdom are far from adequate. I show that the mainstream political economy perspective of 'states *and* markets' represents an obvious advance upon the conventional wisdom's 'states *versus* markets' in the attempt to theorise globalisation. However, I also argue that this mainstream political economy perspective is itself far from convincing, despite its utility in undermining the conceptual basis of the conventional wisdom. The perspective of 'states and markets' is clearly an advance on that of 'states versus markets'. Yet, it still leaves fundamentally unasked a whole series of prior ontological questions about the very essence of 'the state' and the very essence of 'the market'. I conclude this chapter by arguing that neither *has* a trans-historical or trans-geographical essence. Rather, the experience of both is that they are contextually-specific, depending on the dominant form of political mobilisation within society at a given point in time and space. Having identified the prevailing balance of social forces as an important political influence on the way in which globalising tendencies are experienced, I re-work the conventional wisdom for a second time, this time through a contextually-specific perspective of 'states, markets *and* society'. Finally in this chapter, I review the impact that this new perspective has on the globalisation debate more generally.

In Chapter Four, I begin to explore more fully the range of effects which the prevailing balance of social forces can have on the everyday experience of globalising tendencies in a particular setting. I suggest that these effects are carried into the rest of society through two quite distinct sets of processes; one which operates through the reconstruction of material realities, the other through the reconstruction of discursive 'common-senses'.

At the material level, the precise manifestation of the prevailing balance of social forces is likely to have a major impact on the general orientation of the government's response to globalising pressures. Put somewhat crudely, all governments are faced with choices regarding the extent to which they seek actively to encourage globalising tendencies, and the extent to which they seek actively to resist them.[7] The nature of the government response will be conditioned by the dominant form of political mobilisation within society at the time that the decision of whether to encourage or resist globalisation is taken. Indeed, the nature of the government charged with taking that decision will itself be a reflection of the dominant form of political mobilisation within society at that time.

[7] Of course, due to the different capacities at the disposal of governments, some play a greater role in encouraging globalising tendencies than others, and some would seem to play no conscious role at all. In this, as in many other aspects of political economy, a putative North/South divide is in evidence.

At the discursive level, the precise manifestation of the prevailing balance of social forces is also likely to have a major impact on the general orientation of the government's response to globalising pressures. In particular, it is likely to shape the knowledge that society holds about the range of *possible* policy responses which are available to the government. Quite clearly, an altogether different set of political interests will be served in circumstances in which the overall character of the government's response to globalisation is facilitative than in circumstances in which the overall character of that response is resistant. One or other of these responses can be effectively ruled out should a dominant discursive practice which casts doubt against the very viability of that option become routinely accepted as a societal 'common-sense'. Here, then, I make the firmest claim to date that ideas about globalisation can have causal effects in their own right, independent of the material reality of increasing market interdependencies.

This is a claim which I pursue in greater depth in Chapter Five. In this chapter, I turn for the first time in any detail to the specific experience of globalising outcomes in Britain, my chosen country case. I argue that ideas about globalisation have had an important independent causal influence on the nature of public policy debate in contemporary Britain. At the very least, they have provided a context for distinguishing which types of intervention are to be deemed politically possible in current circumstances, and which are to be deemed politically impossible. In particular, the image of an unbreakable exogenous economic constraint has been used to construct a political logic of 'no alternative' to the continued reproduction of the macroeconomic status quo. The dominant form of political mobilisation within modern Britain is to a macroeconomic regime which has been handed down virtually intact from the time of the Thatcherite reforms of the 1980s. I show that a dominant discursive construction of a globalising logic of 'neo-liberal necessity' has been instrumental to this reproduction.

The dominant discourse of globalisation has impacted most obviously in Britain through the way in which it has successfully displaced the need for active consent to further neo-liberal restructuring. Given the combination of the increasing use of the international financial markets as an external enforcement mechanism for domestic economic policy, and the increasing dissemination of the idea that globalisation in any case disqualifies the government from adopting a significantly different stance, it is far from clear that the political capacity still exists for translating popular demands for resistance to neo-liberal orthodoxy into *actual* resistance. In such circumstances, the very need for consent to the reproduction of the neo-liberal status quo has been replaced by resignation that such reproduction has become increasingly 'inevitable' in the absence of political leaders willing to take seriously the possibility of alternative modes of economic development. The question of whether globalisation is a material reality would therefore seem to be superfluous in this instance; ideas about globalisation can themselves create the conditions which globalisation is argued to bring about.

In Chapter Six, I turn more explicitly to the debate about public policy-making in an era of globalisation. The image of globalisation which appears in much of the existing literature centres on the notion of insurmountable structural constraints imposed through exogenous economic forces. The increased range of options which globalising tendencies are assumed to have provided for capital is believed to be especially important in this respect. Indeed, if the literature identifies one process more than any other as being symptomatic of globalisation's structural constraints, then it is surely the ease with which capital can now exercise its mobility.

However, in this chapter I suggest that the whole public policy debate on capital mobility is based on a series of misplaced assumptions. In virtually every intervention into the literature on this subject, capital mobility is conceptualised in spatial terms. It is within this context that globalisation's pervasive logic of no alternative is conjured. Capital can simply evade institutionally-regulated restrictions on private property rights by moving elsewhere. Hence, governments are structurally required to endorse a lowest common denominator neo-liberalism. Any government seeking to operate outside the parameters of such a logic is believed to be pressing the self-destruct button; triggering processes of capital flight and leading eventually to capacity shortfalls in productive sectors. Here, however, I develop a rather different explanation of capacity shortfalls. I suggest that they are the result, not of capital's increased spatial mobility, but of its increased functional immobility. Capacity shortfalls are currently evident within the productive economy, I argue, due to the increasing amount of capital which is concentrated within the international financial markets. For an ever greater number of potential investors, the circuit of capital both begins and ends within the financial markets. This, I suggest, is the most significant element of current processes of international economic restructuring. Certainly, it has more far-reaching public policy implications than those that result from mis-specified assumptions about capital's new-found spacelessness. I conclude this chapter by re-visiting the public policy-making debate about the shadow cast by globalisation once that shadow has been re-specified in terms of capital's increased functional immobility.

This is a theme which I continue to explore in Chapter Seven. In this chapter, I concentrate on the way in which the mis-specification of capital mobility constraints leads to a series of self-reinforcing public policy mistakes. With capital mobility viewed in purely spatial terms, the aim of economic policy has increasingly become preventing national and/or transnational capitals from leaving the domestic production circuit for more profitable production circuits overseas. However, the specific means which have been chosen to prevent this form of capital exit has actually been a trigger for another. In Britain at least, the public policy response to the 'pressures' of globalisation has been to increasingly externalise the responsibility for economic decision-making. The use of external enforcement mechanisms for economic policy has had the effect of pre-committing the future trajectory of that policy. But the increased level of certainty in future financial prices resulting from pre-commitment in turn has had the effect of providing investors with yet more incentives for concentrating their assets in financial portfolios only. As a consequence, an increasing proportion of capital funds has exited the production circuit altogether.

The British government has responded to the subsequent capital shortage in productive sectors by chasing potential inward investors ever more vigorously. In this instance, too, I show that the government's short-term policy 'solutions' lead to long-term contradictions within the policy regime as a whole. The Blair Government has emulated its Conservative predecessors by attempting to source comparative advantage in the market for inward investment on the basis of a competitive subsidisation strategy backed by a strictly orthodox macroeconomic policy. Only orthodox policies are assumed to be credible in the eyes of footloose firms. Yet, it is precisely such a stance which is responsible for the capacity shortfalls which have animated the chase for inward investors in the first place. I conclude by demonstrating that these contradictory forms of economic policy-making are tightening future structural binds on the policy-making process. Note, however, that the assumption of globalisation is not necessary in order to describe the nature of these structural constraints. In fact, through responding to these constraints in a manner consistent with the globalisation hypothesis, contemporary economic policy-making dilemmas have been made more, rather than less, intense.

In Chapter Eight, I turn to the question of why the Blair Government should persist in using the full rhetorical repertoire of the dominant discourse of globalisation, not only in circumstances in which that rhetoric can be shown to be an exaggeration of a much less global reality, but also in circumstances in which policy responses to ‘globalising necessities’ can be shown to tighten the constraints that they are supposed to relax. I dismiss the possibility that the answer to this question is simple cognitive dissonance. Rather, I suggest that New Labour has adopted the idea of globalisation for strategic reasons. In other words, whilst the notion of globalisation may be inadequate for performing all of the analytical tasks which are attributed to it, the Blair Government has used that same notion to enable it to perform certain political tasks that may otherwise have provoked popular political dissent.

In this respect, it becomes crucial to examine how the Labour Party has attempted to de-politicise contemporary economic outcomes, and how it has attempted to use the idea of globalisation as a means of developing a conscious political strategy of de-politicisation. Globalising 'pressures' have been cited as the reason why it has been necessary to enact 'sound money' policies. Yet, it has been 'sound money' policies themselves which have presented the most important material constraint to the possible re-definition of the prevailing balance of social forces in Britain. I chart the way in which the Blair Government is attempting, at a variety of spatial scales, to make it structurally more difficult for any of its successors to pursue anything other than a 'sound money' strategy at any time in the future. Most obviously, at the domestic level, it has ceded operational responsibility for the conduct of monetary policy to an unelected committee of technical 'experts' at the Bank of England. Less obviously perhaps, at the international level, it has backed calls for the creation of a 'new financial architecture' designed specifically to subordinate domestic governments still further to international financial markets, by providing additional momentum for deepening the degree of financial market interdependence. This latter development is particularly interesting. For, it shows that the government is indeed aware that its globalisation rhetoric is an exaggeration of a much less global reality,[8] and that the possibility must be left open that *ideas* about globalisation play an independent causal role in the production of outcomes consistent with the globalisation hypothesis. Were New Labour actually to believe what it says in relation to globalisation, then there would be no need for it to be concerned with making financial market relations yet more global.

Chapter Nine explores the way in which the Labour Party has constructed a particular definition of 'globalising necessities' specifically to serve its wider electoral goals. I suggest more generally that the party's economic modernisation, of which its decision to accept the 'realities' of globalisation should be seen as a major symbolic moment, must be set within the context of its attempts to restore a sense of electoral credibility to the party's image. New Labour's appropriation of a globalising logic of 'neo-liberal necessity' has been instrumental not merely in appeasing the fears of the market that the party may have been tempted to turn its back on a strictly orthodox macroeconomic policy once in government. It has also been instrumental in appeasing the fears of Britain's middle-classes that a future Labour government may have reversed the dramatic shift in the balance of power in favour of the rich which accompanied the Thatcherite reforms of the 1980s.

I conclude with an appeal to others working on the political economy of globalisation to be more sensitive to the significance of the domestic political conditions which facilitate international economic change. Political economists tend to be sensitive to the possibility that there are international economic conditions to domestic political change. Equally, however, they tend not to be so sensitive to the possibility that the reverse line of

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[8] This was a line taken also by *The Economist* in its report of the WTO talks in Seattle in December 1999

causation also holds. Yet, globalisation would seem to have the greatest impact on the domestic political agenda in circumstances in which a globalising logic of no alternative can be constructed that reinforces the dominant form of political mobilisation already existing within that society. As such, I argue that it is necessary simultaneously to acknowledge the way in which international economic forces shape domestic political dynamics, and also the way in which domestic political forces shape the potential institutionalisation of international economic dynamics.

(see *The Economist* 1999c).

CHAPTER ONE:

BEYOND MARKET-CLEARING METAPHORS:

DECONSTRUCTING THE CONVENTIONAL WISDOM

OF GLOBALISATION

The conventional wisdom of globalisation is now an established part of public discourse in Britain (as elsewhere, see for example Taylor-Gooby 1996; Schmidt 1997; Rosamond 1999). At its heart lies the claim that convergent pressures of economic globalisation are forcing governments into political conformity. Unaccountable and unstoppable global economic dynamics are therefore assumed to be having causal effects within the political domain.

As outlined in the introductory chapter, however, I intend to adopt a somewhat different perspective to that implied by the conventional wisdom. Indeed, this thesis can be viewed as a fundamental challenge to the wisdom of such conventions. The dominant discourse currently demands that the strict parameters which have been placed around the politically possible be seen only in the context of inexorable economic processes. I suggest that the dominant discourse of inexorable economic processes *itself* has causal effects producing similar political outcomes. As such, we should be looking not only at global economic restructuring, but also the conventional wisdom of the 'inevitability' of that restructuring, in trying to make causal statements in relation to contemporary economic policy-making.

Of course, before this argument can be laid out at any great length, it is first necessary to introduce the key assumptions, hypotheses and conclusions on which the conventional wisdom of globalisation is grounded. This is the aim of this chapter.

The Conventional Wisdom and Competitiveness Concerns

One question which is frequently asked in relation to the dominant discourse of globalisation is, 'Whose discourse is this exactly?'. Is this fundamentally a practitioner or an academic discourse? My answer to such a question, in a word, is 'both'. At face value, the non-committal nature of that response may appear to be somewhat unsatisfactory. At the same time, however, it also serves notice of the complexities of the issues at stake here. In addition, it introduces the possibility that there may be much to gain from analysing the overlap between the way in which the conventional wisdom is used simultaneously by both practitioners and academics.

There is a well-developed tendency for practitioners and academics to employ the same concepts but to attribute rather different meanings to them. Not only do practitioners and academics appeal to the notion of two quite distinct communities to justify the way in which they talk in different technical languages about an identical subject. Often, they do so deliberately to talk past one another as a means of preserving their distinct identities.

That said, however, it would be wrong to over-emphasise the difference between the ideas which are enlisted by practitioners and academics as a basis of their understanding of globalisation. Such differences are not fundamental. Rather, there are a shared set of implications which flow from the initial assumption of globalisation. Indeed, the very fact that practitioners and academics appear to be singing from a similar song-sheet is an important part of the process through which the conventional wisdom of globalisation has been increasingly institutionalised *as* a conventional wisdom.

That conventional wisdom contains a series of claims relating to the circumscription of the politically possible in an era of global economic relations. All such claims can be usefully bracketed together under the umbrella term ‘convergence’. Given the emergence of globalising dynamics, all economies are increasingly assumed to have been subjected to common economic pressures. Moreover, such pressures are further assumed to have led, if not yet strictly-speaking to common political outcomes, then nonetheless to a common trajectory of political outcomes (cf Berger & Dore 1996; Weiss 1998).

The one major division between practitioner and academic understandings of the pressures of globalisation lies in the identification of different ‘bearers’ of those structural pressures. In the terms of practitioner discourse, globalising pressures are made manifest in a heightened awareness of competitiveness concerns. By contrast, in the terms of academic discourse, both globalising pressures and competitiveness concerns are more typically linked to assumptions that international economic markets now clear in a manner consistent with equilibrium dynamics of global supply and demand.

Let us first consider the competitiveness concerns which feature most prominently in practitioner discourse. Interestingly, notions of competitiveness actually predate those of globalisation in public policy-making debates (see Hay, Watson & Wincott 1999: 8). Set in such a context, the major impact of notions of globalisation has to be seen as having reinforced already dominant assumptions about the competitive imperative.

It is not just the fact that we have witnessed an increase in the use of the notion of competitiveness which is important here. Rather, it is the fact that the notion of competitiveness has increasingly been used specifically in conjunction with appeals to capital flight which has had the most significant impact on contemporary practitioner discourse. In particular, it has allowed the notion of competitiveness to be applied in a new way in public policy-making debates. Historically, arguments about the competitive imperative were assumed to be applicable only at the level of the firm. Only firms could be seen as being either competitive or uncompetitive. More recently, however, it has been assumed that the burden of the competitive imperative has been displaced upwards from the level of the firm to the level of the national economy (see Krugman 1994). Thus, the firm itself is no longer required to be competitive per se. By contrast, it is the environment in which firms may choose to locate which is expected to be able to source competitiveness concerns.

The political force of such a conclusion emerges only when it is viewed through the perspective of wider debates about contemporary economic restructuring. In particular, assumptions of capital flight are necessary in order to ensure that this new discourse of 'country competitiveness' is politically resonant.

The perceived consequence of heightened capital mobility is the threat of exit. Guided by such assumptions, governments are effectively mandated to provide conditions for expanded profit opportunities. Otherwise, firms can simply be expected to relocate into an environment in which such conditions *are* present. Set within the context of the conventional wisdom of globalisation, it is assumed that no institutional barriers exist to prevent businesses from relocating wherever in the world that comparative advantage dictates. Footloose firms are now assumed to be able to engage in a process of 'regime-shopping' in an attempt to seek out the lowest common denominator production costs. Governments are consequently thought to have become locked-in to competitive relations of their own, in which the winner is whoever can bid down the costs of relocation to the greatest extent. The more that governments are able to undercut one another, the more incentives that they are able to offer to firms which choose to locate in their country (on which point, see Swank 1998).

This, then, is the application of the notion of competitiveness which tends to dominate practitioner discourse. Of course, this discourse of 'country competitiveness' has also required the assumption of globalisation for it to have exercised such a grip on the imagination of contemporary public policy-makers. In the absence of assumptions about globalising dynamics which break down the barriers between distinct national economies, the appeal to the politically conditioning effects of 'country competitiveness' immediately begin to look more problematic. It is the idea that globalising tendencies produce de-spatialising outcomes which is responsible for carrying further ideas that countries themselves now have a more important role to play in providing the conditions for profit maximisation. This is clearly paradoxical. On the one hand, globalisation is believed to have decreased the significance of the different geographies of individual nation states. On the other hand, the competitiveness concerns which globalisation is assumed to have sharpened are believed to have increased the significance of the way in which individual nation states can express whatever differences between them which still remain. In an era which is typically presented as one of convergence, then, we are also being told that we are experiencing an increased sensitivity to difference. Of course, there is no hard and fast rule which says that discourses which are built on paradoxical assumptions cannot become politically resonant. So it is here. Without doubt, the idea that globalising tendencies come complete with radical de-spatialising effects has served to condition the way in which the limits of feasible economic policy are currently conceived.

Reduced to its bare minimum, the conventional wisdom of globalisation is based on a single claim. Where once the concept of a 'national economy' served to demarcate the world of domestic policy-making, now it is assumed that nothing could be further from the truth. The 'national' is believed to have given way to the 'transnational'.

Assumptions about the changing nature of the capital relation are especially important in this respect. The word 'globalisation' enters the vocabulary of policy-makers most frequently to describe the emergence of a new structure of disembedded capital flows.

Three aspects of the external economic environment have been emphasised in particular in order to sustain appeals to the notion of 'globalisation' (see Watson 1999b; Busch 2000). Firstly, it tends to be assumed that the on-going restructuring of international capitalist relations has delivered a truly global circuit of trade in goods and services. Secondly, such restructuring is also assumed to have made national investment structures so open to external penetration that capitalist production has been effectively globalised. Thirdly, and without doubt most significantly, flows of financial capital are now assumed to take place at a spatial scale which completely overrides national regulatory regimes. Finance is believed to have been globalised insofar as economic transactions denominated in purely monetary form now occur within an entirely disembedded space of 'virtual' reality (see, for instance, O'Brien 1992).

Here, we can see a subtle shift in the conventional wisdom, depending on whether it is being articulated as part of a practitioner or an academic debate. In order to make the conventional wisdom resonate in public policy terms, competitiveness concerns tend to provide the primary focus of practitioner discourse. However, that discourse itself is grounded in a prior assumption. It may well be that this assumption receives little attention in public policy debates; nonetheless, it is fundamental to wider discursive practices. Remove the prior supposition that international markets now clear in a manner consistent with the existence of a global equilibrium, and the grip which the competitive imperative has placed on the public policy-making imagination is significantly relaxed. In other words, behind every public pronouncement of the need to enhance national competitiveness lies the prior assumption that international markets now respond to truly global dynamics of supply and demand. Whilst a full articulation of this prior assumption is conspicuous by its absence from practitioner debates about globalisation, it features much more prominently in academic debates. As such, it is to these academic debates that I turn in the following section.

Financial Market Restructuring and Market-Clearing Dynamics

As Meric Gertler suggests, the most significant aspect of the globalisation debate may well be the fact that "it has been taken as an article of faith for some time that we [*already*] live in a global economy" (Gertler 1997: 45). Market-clearing metaphors are consequently well established in public discourse. Nowhere is the assumption of diminishing constraints on the activities of capital more pronounced than in relation to the circuit of financial capital. In the ten years since David Harvey first rehearsed his argument about recent technological change forcing 'time-space compression', such an argument has become increasingly well known (see Harvey 1989a). Moreover, it has been applied irrespective of sector, in order to explain how all economic transactions have been 'speeded-up'. However, such an argument holds most force when it is used to describe those transactions which take place specifically within the international financial markets. Governments routinely refer to "instantaneous adjustment mechanisms" within those markets (see Blair 1996a) in order to stress the qualitative "limits of government"

(Brown 1995; see also Hutton & Corry 1996; Robinson 1997). Quite clearly, 'instantaneous adjustment' is a bold claim. Yet, it is one which is made with increasing regularity, primarily because the process of 'time-space compression' is now assumed to be complete within the financial markets. Not merely are we directed towards the way in which temporal constraints on the relocation of capital are effectively compressing spatial difference. Increasingly, we are faced by the assertion that space is being entirely annhilated through time (Swyngedouw 1989).

Set within the context of the conventional wisdom, then, space has been removed as a potential impediment to market-clearing dynamics[1]. As such, there would appear to be no economic barriers to prevent capital from becoming completely disembedded. On the basis of this assumption, it would seem to be entirely reasonable to begin talking about the emergence of a truly 'borderless world' (Ohmae 1990).

Moreover, at first glance there would appear to be sufficient statistical data to support two views: i) that the international economy has passed through a significant period of recent restructuring; and ii) that the direction of such restructuring has been towards the emergence of new global equilibria. The stock of international bank lending, for instance, underwent quite spectacular growth in the 1980s, a decade widely identified as the 'take-off' stage to globalisation. From a base of only 4% of OECD GDP in 1980, that figure had mushroomed to 44% by 1990 (Wade 1996: 64). In addition, much of that increase bypassed the real economy altogether, such was the extent to which it was channelled into the reproduction of an expanded circuit of financial capital (see Watson 1999a). That circuit currently offers the prospect of such quick returns on speculative positions that the liquidity ratios which dominate contemporary financial markets now bear little relation to the much lower ratios which were typical only twenty-five years ago (Hübner 1991: 59). Driven by expectations of heightened liquidity, the transacted volume in foreign exchange alone now exceeds that in world trade by a factor of forty (Busch 2000: 48). Furthermore, over this period of market restructuring, such transactions have come to reflect the state of underlying economic fundamentals less and less (see, for instance, Underhill 1997). As a consequence, it is now increasingly accepted within public discourse that government discretion over the conduct of monetary policy has been progressively curtailed. Certainly, there is no sense in which national policy-makers have the same degree of latitude as they did in the era of exchange controls and the effective 'nationalisation' of bank lending.

Moreover, it is not only the increase in financial market activity which has served to constrain government behaviour. At the same time as traded volumes have undergone almost exponential growth, there has also been a period of unparalleled market innovation. This has been perhaps the most significant aspect in delimiting the parameters of the politically possible in terms of domestic monetary policy. More than anything, it is the integrated structure that now exists between primary and secondary trading in the same financial instrument which has massively increased the sensitivity of all markets to shifts in investor sentiment (see Watson 1999a).

[1] Somewhat ironically, perhaps, the link between globalisation and the decreasing significance of space has

There is a certain irony that derivatives markets were introduced into the financial environment in order to allow investors a means of hedging against future risk.[2] For, the current levels of secondary trading in derivatives markets has actually been responsible for enhancing the systemic risk which reflects the increase in cross-national sensitivities. Derivatives trading now comprises such a large part of world finance (see, for instance, Fitzgerald 1993) that its mere existence would pose sufficient threats to the ability of governments to run an autonomous monetary policy. Most derivatives contracts have only been established in the first place so as to provide a means of allowing investors to bypass existing structures of government regulation in order to expand the scope of feasible profit-making activities (see IMF 1989). As Robert Wade suggests, "in terms of the ability of governments to manage finance, derivatives make the power of private financial property still more absolute" (Wade 1996: 65).

Indeed, others are willing to go still further and follow the conventional wisdom of globalisation all the way to its logical conclusion. The power of private financial property has not merely become *more* absolute, they argue, it now *is* absolute. According to Stephen Kobrin, for instance, the simultaneous development of derivatives contracts

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often been drawn by geographers (see, in particular, O'Brien 1992).

[2] A wide range of markets in financial futures now exists. A futures contract is entered into in an attempt to generate a high degree of certainty about the medium-term price of a given asset. Indeed, the specified terms of the contract secure that price at a non-negotiable level for the length of the contract (for a further elaboration, see Watson 1999a). It is usual for financial markets to form to co-ordinate trade in the current price of a financial asset. The term 'futures' is used, however, to describe a market where trading takes place in the future price of that asset. The term 'derivative' is used to describe the contracts which formalise the trading environment in such markets, because the market demand for the future price of a financial asset is derived from expectations formed in the present as to the likely trajectory of prices within the market.

and electronic money has disembedded the circuit of financial capital from the real economy to such an extent that "the basic problem" for government regulation of an increasingly footloose financial sector is no longer "one of overlapping or conflicting jurisdictions". Rather, he suggests, "it stems from the lack of meaning of *the very concept of 'jurisdiction'* in a digitalised global economy" (Kobrin 1997: 76, emphases added).

The underlying assumption here is that contemporary processes of financial innovation have been directed intentionally at undermining the regulatory status of ostensibly sovereign territories. The 'new' money which has been created as a result of financial innovation is believed to have the ability to escape the clutches of regulatory regimes insofar as it bears no physical form whatsoever. Put simply, this money is no more than a series of computer bytes (*Business Week*, 12.06.95). The use of virtual finance is thought to have increased the liquidity of capital assets denominated in this way to the point at which such assets are now almost perfectly liquid (see Marimon, Nicolini & Teles 1998). As Kobrin argues, the battle between state and capital for control of the economic context has now become a battle between those who operate in "geographic space" and those who operate in "cyberspace" (Kobrin 1997: 74). The degree to which this has become a structurally uneven battle is highlighted in Kobrin's conclusion that the realities of these new circumstances have made the jurisdictional plane which the state inhabits so permeable that the national state is itself now "irrelevant" (ibid: 71; see also Ohmae 1990, 1995).

Set in this context, then, it is not merely the case that increasing financial market activity has rendered governments less autonomous in their economic policy-making. Recent periods of intense innovation within these markets would appear to have rendered governments no longer autonomous at all. Thus, not only should governments be assumed to have a diminished capacity to use market-shaping interventions to distort the global equilibrium price in which the world's financial markets would naturally settle. Given the way in which 'cyberspatial' markets are believed to bypass all government structures and, as such, clear perfectly, that capacity is assumed to have been completely eradicated.

However, to draw such a conclusion on the basis of the available empirical data is to elevate assertion above evidence. The conventional wisdom of globalisation may well be predicated on the assumption of the increasing powerlessness of the state in the face of the expanding power of a new rentier class of financial capitalists. Moreover, the development of a range of markets in financial futures may well represent a further increase in the structural power of those who hold capital assets in the functional form of money. Yet, these two inferences do *not* necessarily add up to qualitative support for the globalisation hypothesis. Just because we can see signs of the sort of 'power transfer' predicted by the conventional wisdom of globalisation *does not mean that the conventional wisdom is necessarily a true reflection of reality*. Without doubt, there is evidence for the conditioning effects on government behaviour which the mere existence of financial futures markets has had. However, there is also a distinct lack of evidence that this amounts to the creation of a truly global circuit of financial capital.

Contemporary economic reality is anything but the world of 'one-price' which such a circuit would imply. The real world continues to sustain a range of different prices for any number of financial instruments whose traded characteristics are identical from country to country. Arbitrage effects are expected to bring the price of capital assets denominated in money ever closer as the markets on which they are traded become more integrated (see Frankel 1994). Despite such effects, however, convergence tendencies remain far from complete (Rodrik 1997: 27). Even at the most straightforward level of financing investment through interest-bearing loans, the existence of deep-seated real interest rate differentials effectively does away with the assumption of a 'one-price' world (see, for example, Frankel & Hardouvalis 1995; Mishkin 1995; Goodhart 1996; Houthakker & Williamson 1996; Kearney 1996).

Many studies have been commissioned in recent years to test the 'one-price' hypothesis. Irrespective of the stage of the globalisation process at which the study was conducted, the available empirical evidence suggests that the conclusion of a necessary convergence in real interest rates is misplaced (see, for instance, Feldstein & Horioka 1980; Kasman & Pigott 1988; Zevin 1992; Obstfeld 1995). This in itself would appear to provide sufficient grounds to argue that, whatever form current restructuring dynamics eventually take as they are embedded around the world, it seems unlikely that it will be as a truly global circuit of financial capital. In other words, there is nothing *a priori* global about those tendencies which are so frequently labelled 'globalisation'.

The process of capital market integration is significantly more pronounced in some contexts than it is in others. As a consequence, financial globalisation has taken on a far more uneven complexion than is assumed in the conventional wisdom. The image of 'cyberspatial' markets which clear perfectly in all instances is almost certainly a misleading one. Indeed, it may well be that the only thing which is truly global in relation to 'globalisation' is the way in which such tendencies have been institutionalised in a manner which reflects the specificities of the different contexts in which they have been set. As such, what is truly remarkable about the experience of recent processes of capitalist restructuring is not the extent to which the separate logics of individual capital markets have been overwritten amidst the creation of an objective structure of global capital flows. Rather, it is that national economies still remain as isolated as they are, despite at least twenty years of concerted political effort on the part of the majority of the most capital-rich governments the world has ever seen to create just such a structure.

Arguably the most persuasive indicator of the persistent autonomy of national economies is the maintenance of a high correlation between the rates of domestic saving and domestic investment (for a review of the literature in this area, see Bayoumi 1997). Insofar as it is constructed on the presumption of a fully-integrated global capital market, the conventional wisdom of globalisation all but rules out the possibility that such a correlation should remain. Amongst US states, for instance, the state-level saving rate accounted for a mere 2% of the variance in state-level investment rates fully forty years ago (Wade 1996: 74). This is what evidence of a real-life integrated capital market should look like, and this evidence comes from long before governments chose to engage actively with restructuring dynamics in order to deepen the integration trend. As Stephan Sinn has shown, however, even after ten years of reconstituting OECD capital markets as a means of preparing a global circuit of financial capital, the correlation between the rates of domestic saving and domestic investment has remained stubbornly high. If a figure of 2% for the variance in investment rates accounted for by the saving rate represents the closest conceivable approximation of a perfectly integrated capital market, then the following figure illustrates the *non*-integration of OECD capital markets as a whole. For, in 1990, fully 60% of the variance in domestic investment rates was accounted for by domestic savings rates (Sinn 1992).

As a consequence, any new flow of investment at any point within the international economy is most likely to have its origin in the existing stock of domestic saving. This has served to ensure that national stock markets have continued to operate as if in isolation from one another. Portfolio diversification may well be a more developed tendency than it was twenty-five years ago (see Steil 1994; Epstein 1996). However, the spatial limits of that diversification have typically been limited to the national economy. Whilst domestic consumption demands in general continue to be satisfied via the circuit of domestic capital, those domestic producers remain predominantly domestically owned. For instance, although Wall Street has the reputation of being the most 'open' stock exchange in the world, throughout the 1990s roughly 95% of investment by Americans on Wall Street remained in domestic stocks and bonds (Piven 1995: 111). Moreover, this may not be all that surprising, given that less than one in twenty of the firms which are cited on the New York Stock Exchange have origins anywhere other than in the United States (*The Economist* 1999a).

Contrary to the globalisation hypothesis, then, there are significant elements of contemporary finance which have remained overwhelmingly within the borders of the national economy. It may well be more common to hear public policy-makers and academics alike appeal to the extent of globalisation rather than its non-extent. Yet, in this instance, rhetoric and reality are clearly mismatched. Globalising tendencies are routinely assumed to have reprojected financial relations into a virtual economic space whose mere presence contradicts the continued reproduction of explicitly 'national' forms of economic management (see, for instance, O'Brien 1992; Scholte 1996; Kobrin 1997). However, when the analysis is moved beyond assumption to explore existing empirical detail, the physical barriers of national geographies would still appear to be of intrinsic importance to the location of financial investment. Such is the continued significance of contextually-specific features of the international financial system.

The Spatial Embeddedness of Production: Capital as a Social Relation of Production

In terms of relative mobility options, there can be no doubt that finance is the most mobile of all the parties to the capital relation (see, for example, Aglietta 1985; Cerny 1994; Germain 1997; Palley 1999; Radice 1999). Yet, as we can see from the above analysis, even here the conventional wisdom of globalisation consistently overstates the footloose properties of contemporary capital. The simple assertion of boundless mobility options bears little comparison to the much more limited degree to which such options are actually exercised in practice.

In a word, the conventional wisdom is wrong. Moreover, insofar as the assumption of unlimited exit options tends to be applied across the board, with no reference at all to the very different mobility options available to different fractions of capital, it is more wrong in some cases than others. In the previous section, I focused on the mismatch between globalisation rhetoric and a far from globalised reality in relation to the circuit of financial capital. In this section, I show that a similar mismatch is much more pronounced when the analysis is recast in terms of the circuit of productive capital.

A focus on the different mobility options open to different fractions of capital is necessary for two reasons:

i) the fact that liquidity ratios vary across different fractions of capital and, indeed, within them; and

ii) the fact that government policy in a range of advanced capitalist economies has recently been reoriented towards guaranteeing enhanced liquidity ratios. My analysis in chapters 7 and 8, for instance, highlights the way in which the Blair government in Britain has set about performing such a role.

In general, the higher the liquidity ratio, the greater will be the potential mobility. At no point do capital assets more closely approximate perfectly liquid assets than when they are held in the functional form of money. Even in such circumstances, however, observed mobility effects currently do little to bear out the predictions of the conventional wisdom of globalisation. Given this, it would appear to be most unlikely that similar predictions would be shown to be true in productive sectors, where capital assets are far less liquid than they are in financial sectors. Empirical evidence in general cautions against accepting the conventional wisdom at face value. This is never more the case than in relation to assumptions about the limitless mobility of productive assets.

Despite such evidence, however, two of the three elements of the conventional wisdom of globalisation continue to draw on assertions about the increasingly disembedded nature of productive capitals. In addition to assumptions about the globalisation of financial flows, the conventional wisdom also contains assumptions about the globalisation of trade and production flows. As Kevin Cox suggests, however, such assumptions can only be made to appear plausible when set within the context of a concept of capital which treats the capital relation solely as an exchange relation (Cox 1997: 128). It may well be that this is the image which guides both the dominant discourse and the political practice of globalisation which currently operate across a range of advanced industrialised economies. But it is also the case that such a context requires that the theoretical advances which have been made in political economy over the past hundred and fifty years be effectively 'disinvented'. Put simply, to theorise capital purely as an exchange relation is to return to the classical political economy which pre-dated the emergence of the Marxian critique of economic liberalism (see Watson 2000b for a further elaboration).

Such a claim undoubtedly needs to be unpacked if it is to be explained more fully. The Marxian critique of economic liberalism is based on conceptualising capital, not as an exchange relation, but as a social relation of production (see Marx 1973a, 1973b: for a discussion, see Eldred & Roth 1978). Capital takes on its distinctive essence *as* capital in those moments in which financial assets are embedded within a wider set of social relations in order to make production possible *in a distinctively capitalist form* (on which, see, for instance Jessop 1990; Clarke 1991). In other words, capital can *only* act as a productive force when it is embedded within a particular social context. As such, whenever it acquires disembedded properties which release it from the social context in which it is grounded, the very process of de-socialisation acts as a structural impediment preventing financial assets from being deployed to initiate a full circuit of productive capital. A clear contradiction is therefore evident within the conventional wisdom of globalisation. On the one hand, the notion of globalisation is deployed to depict a qualitatively new phase of capitalist production. On the other hand, it assumes the existence of a world of capital flows which are now so disembedded from their wider social context that capital would seem to cease to be able to act as a force of distinctively *capitalist* production at all.

Quite clearly, the advanced industrialised economies remain dominated by a distinctively capitalist mode of production. As such, I suggest that it is necessary to argue against the logical coherence of the conventional wisdom of globalisation. Throughout the thesis, I will make every attempt to distance the analysis from the conventional wisdom's implicit assumption that capital should be conceived purely and simply as an exchange relation. Instead, the study will be grounded within a theoretical context in which capital is conceived as a social relation of production, and in which the everyday experience of the economy is conceived as a manifestation of the prevailing balance of social forces.

As a consequence, the analysis will revolve around a very different conception of the relationship between productive capacity and its geographic location to that which dominates both the discourse and practice of globalisation. Once again, it is necessary to argue that there is nothing automatically 'global' about those tendencies which are so readily attributed to globalisation in public discourse. In viewing capital as an embedded social relation of production, there is no reason to assume that the economic gains which the capitalist classes have been able to make as a result of contemporary restructuring dynamics accrue simply from enhanced spatial mobility. This is a far from insignificant claim. For, if there is no necessary correlation between capital mobility and utility maximisation, then the incentive to explore exit options will be greatly diminished, whether firms are footloose or not. In turn, the pattern of observed exit can be expected to be a pale imitation of (or, indeed, just plain different from) that predicted by the dominant discourse.

Thus, increased spatial mobility of capital cannot be theorised as a necessary effect of globalisation. It remains an open empirical question as to whether it is an effect at all of those tendencies which are deemed to be evidence for globalisation. As such, it is only ever likely to be an effect which is contingent upon a range of other causal factors. The successful pursuit of certain capitalist strategies will be facilitated by exit in certain contexts only. In others, it will not.

The extent to which exit is a likely capitalist strategy is determined by the extent to which socially embedded relations of production are a condition of the continued extraction of surplus value. If we lived within a truly global economy, it could well present corporate managers with the kind of limitless exit options that the conventional wisdom highlights.[3] However, actual exit depends on more than just the *feasibility* of exercising mobility. The mobility option needs to be *desirable* as well as feasible before it crystallises as a rational corporate strategy.

[3] Indeed, we may be able to identify a 'paradox of exit' here. If we did live within a truly global economy in which all markets cleared in a manner consistent with a one-price world, then presumably all sites of potential exit and entry would so closely resemble one another as to render exit a redundant strategy.

In particular, it is the significance of sunk costs within the production chain which typically ensures that firms retain a specific spatial identity over the course of the product life-cycle. Given that it is capital-intensive production which dominates contemporary capitalism, the proportion of total costs accounted for by sunk costs tends to be sufficiently high for firms to resist adopting short-term 'flags of convenience'. Competitive advantage can be sourced in more ways than merely through exploiting exit.

As a consequence, the conventional wisdom is quite spectacularly inaccurate in its predictions for the spatial patterning of contemporary production (on which point, see Cooke & Noble 1998). The flow of inward investment across national borders has made headline news in recent years (see Graham 1997: 99). Insofar as such flows have tended to be read as 'confirmation' of the globalisation hypothesis, though, they have not necessarily made headlines for the right reasons. Far from FDI being a symbol of the global dispersion of production structures as the conventional wisdom suggests, inward investment flows have displayed a high degree of sensitivity to the contextually-specific characteristics of their recipient markets (Mair 1997). As Paul Krugman suggests, "if there is one single area of economics in which path dependence is unmistakable, it is in ... the location of production in space" (Krugman 1991: 80). In other words, flows of FDI tend to be channelled into those geographical areas of the market in which production competencies are already well established. Cumulative causation processes thus ensue effectively to 'lock-in' certain spatial patterns of production in a self-reinforcing manner. The path dependent trajectory of investment flows can consequently be seen as some kind of institutionalised market rigidity. Certainly, it prevents the global market for investment clearing in the instantaneous manner implied in the conventional wisdom.

There is ample reason, then, to question the utility, relevance and even the validity of the discourse which dominates contemporary policy-making processes. There is no sense in which we live in a world of 'stateless production' taking place in 'de-territorialised spaces'. The simplicities of the conventional wisdom must at all times be set alongside the complexities of actual capitalist production. For, it is the specificities of the social contexts in which the development of individual production technologies is set which ensures that capital assets which are invested in fixed form productive outlets tend to remain in that form. As a result, it is likely that successful technology transfer will depend every bit as much on the adaptability of the social relations of production in the new location as they do on the portability of the physical relations of production from the old location (Gertler 1997: 58). As Kevin Cox suggests, "what this points to is the importance of spatial organisation as a productive force rather than as a geography of input costs" (Cox 1997: 129). The significance of tacit knowledge and accepted practices within the production chain leads to productivity-enhancing externalities, and it is these which in turn lead to the sort of path-dependent effects which mitigate against capital mobility. In particular, firms have habitually engaged with developing 'internal labour markets' so that they may be able to facilitate social learning within the production outlet (see, for instance, Soskice 1991; Streeck 1991). Social 'lock-in' effects then tend to be activated, to the point at which the costs of exit are raised considerably in relation to the costs of staying put. The typical cost-benefit matrix which faces a firm that is embedded within a given social context is therefore nothing like that which is implied in the conventional wisdom of globalisation.

The conventional wisdom paints such an inaccurate picture of contemporary capitalist production, primarily because it refuses to view capital as a social relation of production. Instead, it tends to be treated purely as an exchange relation. It is only in this respect that the *nature* of the production process can be considered to be secondary to the *cost* of what is being produced: an ordering of priorities which is so evident in contemporary public policy-making discourse. When viewed through this perspective, although this perspective only, competitive advantage can appear to be determined solely by price relativities. In theorising capital purely as an exchange relation, enhanced surplus value extraction depends on the ability to find and make use of cheaper labour sources and cheaper production techniques. The world of boundless mobility options to which the conventional wisdom refers would obviously facilitate such a search. For, this would be a world in which successful search allowed for all input costs to be reduced to a minimum. Operating within perfectly integrated international market structures is assumed to be conducive to minimising variable costs of production, and the ability to minimise variable costs of production is further assumed to be conducive to profit-maximisation strategies.

However, it bears repetition that not all costs associated with the capitalist mode of production are variable costs. This means that there is nothing necessary about exit being the optimal capitalist strategy in all instances. As Robert Wade suggests, "National boundaries ... are proxies for physical, cultural, linguistic and educational nearness" (Wade 1996: 85). These factors represent those parts of the wider social environment which may lead to productivity-enhancing externalities activated through social learning within the production chain. The decision to leave one domestic context for another is therefore likely to incur additional sunk costs, proportionate to the time that it takes to develop new productivity-enhancing externalities to the level of those that were sacrificed to make exit possible in the first place. As such, overplaying the exit card - or even the *threat* to exit card - could well inhibit profit maximisation strategies. If exit dissolves important social relations of production, then it acts not to enable potential profit maximisation but to undermine it. In circumstances in which this proves to be the case, it is simply stating the obvious to suggest that mobility options are likely to be ignored. It may well be true that the ubiquitous nature of arguments about globalisation has introduced an awareness of an increased range of feasible exit options into the corporate mindset. But it is equally true that exercising such options is only a rational strategy in those instances in which writing off sunk costs in the present location and taking on more sunk costs in the new location aids the process of surplus value extraction. Moreover, no amount of globalisation will enhance the degree to which mobility options are exercised unless that process is aided in this way.

Given the significance of sunk costs to decisions *not* to exit, mobility options are likely to be structurally impaired in those sectors which are capital-intensive in nature. Moreover, when capital-intensive sectors are dominated by production techniques which are distinctively high-tech, these structural impediments are likely to be even more pronounced (Gertler 1997: 58). The limits on the spatial mobility of capital are therefore very real (see Watson 1999a), and in fact become more real as the mode of production moves away from labour-intensive industries. It should therefore come as little surprise that the most mobile of productive investments - indeed, the only ones which come anywhere near approximating the image of the footloose firm to be found in the conventional wisdom - are those which rely on labour as the primary productive input. Elsewhere, the continuing geographic specificity of social relations of production has ensured that globalising tendencies are not automatically made manifest as global flows of productive capital.

The Non-Globalisation of Production in Advanced Capitalism

Ample evidence exists to dismiss the assumption that contemporary production networks have been effectively globalised. The dominant economic geography of research and development, for instance, remains overwhelmingly bounded by the physical parameters of national production space. Contrary to the globalisation hypothesis, the share of the world's larget firms' technology activity which is done anywhere other than in those firms' home countries is minimal (see Archibugi & Pianta 1992). Around 90% of the total R&D expenditure of the world's advanced industrialised economies is spent at 'home'. There is absolutely no sense in which such a figure can sustain assumptions of perfectly clearing global markets. Parimal Patel and Keith Pavitt must surely be closer to the mark when they suggest that this is "an important case of non-globalisation" (Patel & Pavitt 1991: 1; see also Patel & Pavitt 1994).

Moreover, the persistence of distinctively *national* innovation systems is not merely an interesting empirical anecdote. It is also responsible for conditioning the rest of the production chain with a continuing bias towards the persistence of national economic structures and national competitiveness regimes. Consider, for instance, production which has been restructured so that it may begin to approximate a model of flexible specialisation based on 'just-in-time' delivery of goods to the market (on which, see Jessop et al 1991; Amin 1994). Successful flexible specialisation strategies are dependent on developing highly localised economic niches in order to take advantage of pre-existing market specificities. However, the ability to derive that sort of competitive advantage in turn is dependent on the prior ability to align contingent local consumption geographies with specialised local production geographies (Watson 1997). As such, the flexible specialisation process highlights the importance of the unique aspects of local geography in a way which stands in complete contradiction to the conventional wisdom's assumption that globalising dynamics come complete with homogenising tendencies which erode all sense of geographic difference. Whereas the globalisation hypothesis predicts the emergence of a truly global circuit of production, the flexible specialisation process draws attention to the actual existence of a highly localised circuit of production. In most respects, the globe is a much less feasible space for the realisation of accumulation strategies than are localities anchored within discrete national capitalist structures. It is the location of the final market which provides the most reliable guide as to the likely location of the specialised production outlet. Insofar as contemporary consumption patterns tend to be contextually-specific, final markets tend similarly to be locked-in to fixed spatial co-ordinates. Such effects discount the possibility of mobility options being exercised by those firms which operate in well-defined local economic niches.

Moreover, it is not that spatially embedded production in any way represents old and out-moded production technologies. ‘Just-in-time’ techniques are distinctively state of the art. Indeed, many of the most up-to-date production technologies serve to mitigate against the dispersal of investment funds across and beyond the borders of national economies. As soon as financial assets are made concrete as productive investments, there are a whole range of reasons to believe that the spatial mobility of capital is far more limited than the conventional wisdom of globalisation would suggest.

Given this, it is perhaps to be expected that the available empirical evidence will contradict the assumption of a truly global circuit of productive capital. Indeed, it would arguably be more surprising were there to be evidence for such a circuit, despite the grip which the conventional wisdom of globalisation would appear to have on public discourse. For, having scratched the surface of the market economy to begin to look at the actual essence of capitalist production, it is clear that there is nothing ‘natural’ or ‘inevitable’ about the creation of a global market. At the very least, the actions of those who hold themselves up as being at the cutting-edge of the globalisation process would seem to suggest that this is the case (see Hildyard et al 1996: 125). A significant amount of time and money has been devoted by both state and capital, on the one hand, to suppressing resistance to globalisation and, on the other, to systematically re-defining the domestic political agenda in an attempt to facilitate 'evidence' of a global circuit of production. Quite clearly, this rests uneasily with the dominant discursive construction of globalisation as an exogenous process.

The fact that such interventions are considered necessary to ensure the successful embedding of globalising norms carries a number of important implications:

i) It suggests that globalisation is as much a political project as it is an economic one; moreover, a contingent political project at that.

ii) It suggests that, so long as the political context which determines the form which globalising tendencies will take in any given instant continues to be a site of struggle, the globalisation process will remain fundamentally incomplete.

Moreover, as the following figures show, the only ever partial process of globalisation is more than just a theoretical possibility. It is also an empirical fact. Not only, then, are there theoretical reasons to doubt that there is a necessary connection between an increased exposure to global markets and an increase in the spatial mobility of productive capital. The available statistical data demonstrates that the spatial patterning of contemporary capitalist production sites remains much more closely linked to national economic structures than the conventional wisdom allows.

The figures for the distribution of FDI flows are perhaps most instructive in this respect. For, a sudden surge in the quantity of FDI stocks in the 1980s forms a significant part of the casual empiricism which is taken to be 'confirmation' of globalisation in the conventional wisdom. There is no reason to deny that such an increase took place; the statistical measures are quite unequivocal in this instance. During that decade, the growth in FDI as a proportion of GDP far outstripped the growth in exports as a proportion of GDP, which in turn was substantially higher than GDP growth itself (Busch 2000). As such, like trade patterns, production patterns are becoming more integrated, but at a quicker pace. Whilst percentage growth in exports and FDI had moved closely in parallel in the preceding decade, the late 1980s saw a clear divergence between nominal growth in the two as investors increasingly diversified into FDI (Hirst & Thompson 1996: 55). Inward flows of foreign direct investment per head of population for the G7 countries in aggregate rose from a 1981-1986 average of US$35.9 to a 1991 figure of US$148.0 (calculated from UNCTAD 1993). Adjusting for the impact of inflation on the underlying price level, inward investment flows more than trebled in that single five-year period. This much would seem to be impossible to dispute.

What we must dispute, though, is the use of such figures as 'confirming evidence' for trends with which they are no more than coincidental. It may well be that the 1980s saw a dramatic increase in the rate at which FDI flowed around the international economy. It may also be the case that increases in inward investment flows are commonly assumed to be indicative of the deepening of globalising dynamics within the international economy. However, there are no grounds on which these two assertions should be run together in the conclusion that the 1980s therefore witnessed the emergence of a qualitatively new economic state called 'globalisation'.

The available empirical evidence indicates that two objections should be raised against such a conclusion. The first concentrates on the suggestion that there is something distinct and novel about increased FDI penetration; the second on the suggestion that the spatial distribution of contemporary FDI flows are representative of a truly global circuit of productive capital. Firstly, to the extent that heightened flows of inward investment are assumed to be a sign of what lies ahead for the international economy, this then is a future which has been seen before. When expressed as a proportion of GDP, FDI flows are no more marked today in the globalisation era than they were in the Gold Standard era (Bairoch 1996: 188). Despite all the advances in transportation and information technology networks, and despite all the subsequent talk of 'time/space compression' (on which point, see Harvey 1989a), proportionate FDI flows are now no higher than they were in 1913. In this respect, it is the period in between, especially that of the Bretton Woods era in which capital flows were policed quite rigorously through exchange controls, that looks to be the period of qualitative novelty (Watson 2000c). Certainly, it would appear to be difficult to sustain the impression that it is contemporary restructuring processes which have produced a stage of capitalist development unlike any seen before. The growth of inward investment flows in the 1980s, for instance, despite this being a decade of intense capital liberalisation, was less than it was in the 1970s, which was a decade widely condemned for its protectionist mindset and anti-liberal practices.

Secondly, and more importantly, the spatial distribution of FDI flows fails to simulate a truly global circuit of production. The more extreme accounts of the globalisation process point to the emergence of an 'inevitable' job displacement effect. As before, the capital relation has to be treated purely as an exchange relation in order to reach such a conclusion. Viewed through such a perspective, corporate managers are assumed to be sufficiently rational to exploit any opportunity they may possess to exit high-wage, high-cost, advanced industrialised economies so that they may relocate in lower-wage, lower-cost, newly industrialising economies. However, the observed spatial patterning of actual capital flows does virtually nothing to bear out such a narrative (Wieczorek 1995).

Recent increases in FDI have not been directed at exploiting absolute inter-country wage differentials. Germany, for instance, despite its relatively high wages, continues to receive more inward FDI than it exports. Investments do not necessarily flow down wage gradients from those whose pay is high to those whose pay is low. Indeed, what is remarkable about recent increases in FDI flows is *not* the extent to which they have been concentrated in the low-wage periphery of the international economy. Rather, it is the extent to which they have *bypassed* such regions altogether. Foreign direct investment is just as likely to flow up wage gradients as it is to flow down them (see, in particular, Cooke & Noble). Overwhelmingly, inward investment is a phenomenon which occurs within and between the world's most advanced industrialised economies. British governments may well have been successful in capturing a disproportionate amount of recent FDI activity through marketing Britain's cost-competitiveness relative to the rest of the EU. However, the process of allowing footloose firms to chase the cheapest labour has taken place within distinct spatial limits. Insofar as FDI has been channelled towards low-wage countries at all, this has only been in terms of the relatively low-wage economies of the Triad regions of North America, Western Europe and South-East Asia. Certainly, it is not in terms of absolute low-wage economies.

In this respect, it may even be possible to argue that market-clearing dynamics are becoming less rather than more 'global'. Talk of perfectly integrated production markets appears somewhat hollow when set within the context of the following figures:

i) The South's share of the world FDI stock fell by a third between the late 1960s and the late 1980s (Griffin & Khan 1992).

ii) Over the same time-frame, Latin America's share of that stock fell by around 60% (Busch 2000), despite its close links with the American economy.

iii) Similarly, it required the Asian 'miracle' and the rapid integration of the 'tiger' economies into international capitalist structures to allow East Asia's share of world FDI to hold constant in this period (Wade 1996).

iv) Africa and the Middle-East continue to remain effectively excluded from the inward investment game altogether.

In sum, the sudden surge of FDI in the 1980s provided a stimulus for the re-concentration of the dominant circuit of productive capital within the North. By the end of that decade, around 85% of all foreign direct investments were both sourced and received by advanced industrialised countries (Bairoch 1996: 183). Moreover, of that total, well over half ended up in the United States alone (Hirst 1997: 21).

The conventional wisdom therefore picks up on tendencies that *are* at work (the number of FDI flows has increased in recent years), and redescribes them as processes which are *not* (such flows in no way represent a truly global circuit of productive capital). National economies are much less porous at the level of production than in the image of perfectly-clearing global markets summoned by the conventional wisdom. It may well be the case that an increased incidence of corporate takeovers in the 1980s allowed most of the world's largest companies to acquire subsidiary outlets outside of their home markets (see Cowling 1990). It may also be true that firms which have restructured in this way control almost a third of private GNP within the German, French, Italian, British, Dutch, Belgian, Swiss, Canadian and Australian economies, and almost a quarter in the Japanese and American economies (Wade 1996: 63). But simply to read off from this the assertion that here there is evidence of transnational corporations pushing back the frontiers of the global economy is once again to elevate inference above causal analysis.

For a start, it is to mis-specify the essence of such firms. Not only is it seriously to over-estimate the footloose features of their corporate structures to label these firms '*trans*-national'. It is also often to stretch reality to think of them as truly '*multi*-national'. The process which lies at the heart of the redefinition of the corporate landscape through the wave of takeovers in the 1980s is not globalisation per se. Rather, it is evidence of a *re-concentration* of capital as the liberalisation of the international economy allowed for surplus value to be derived through capital acquisition as well as capital accumulation. Given that much of the acquisition process was driven by asset-stripping strategies (see

Woolcock 1996), the subsequent spatial dispersion of production through corporate takeover was strictly limited. In many ways, what resulted was not multi-national production at all. Instead, foreign subsidiaries tended to be bought in order that they be used mainly as export platforms (Franks & Mayer 1990; Buckle & Thompson 1995). Set within the context of external trade barriers operating at both national and regional level, such acquisitions provided a means of bypassing regulatory legislation (on which point, see Watson 1999b: 132-4). In many cases, then, inward investments are triggered every bit as much by export strategies as they are by production strategies. Serious questions must therefore be asked of any assumption that recent increases in FDI have necessarily led to the creation of a global production structure.

This brings the study quite neatly to the third of the three strands of the dominant discourse of globalisation. Although the analysis in the previous two paragraphs would suggest that there are difficulties associated with trying to separate out the effects of production strategies from the effects of export strategies, this is precisely what the conventional wisdom does. As such, the focus of the study now turns away from assumptions about the globalisation of production to assumptions about the globalisation of trade.

Trading Relations and the Possibility of a Global Market in Goods and Services

The Economist may well conclude that it is only in the last ten years that public discourse has shifted to treat free trade as an unequivocal 'good' (*The Economist* Survey 1999). However, the process through which the structures of the international economy have been re-constituted so as to facilitate a liberal trading regime reach much further into the post-war period than merely the last ten years. As such, there should perhaps be little surprise at the frequency with which trade interdependencies are heralded as a sign of the increasingly anachronistic status of national economic structures. Indeed, it is to the simple symmetries of their trade models that orthodox economists tend to point when explaining their understanding of globalisation.

However, as with the other strands of the conventional wisdom, rhetoric and reality are not necessarily a good match in the case of trade. There is certainly evidence that the growth in exports as a percentage of GDP has consistently been above GDP growth for almost all of the post-war period (Hirst & Thompson 1996: 54). Indeed, the accelerating gap between exports and output is the most frequently cited 'evidence' for globalisation; output growth being less than three-quarters of export growth in the period from 1980 to the present day (United Nations 1997: 1). A definite trend of heightened sensitivities to international market conditions can therefore be identified from the raw economic data. Yet, once that data is unpacked, the assumption of trade globalisation rapidly dissipates.

The globalisation hypothesis in itself represents a bolder claim than the mere identification of increased trade penetration. It relies on suppositions, not just about the changing volume of trade flows, but also about their changing *nature*. Confirmation of an increase in traded volumes is not automatically confirmation of their changing nature. Moreover, insofar as currently increasing volumes have had only a marginal impact on the spatial distribution of trade flows, and insofar as that impact is far from unambiguously in the direction of a *wider* dispersion, they should in no way be read as confirmation of the creation of a global circuit of trade.

Two qualifications to the globalisation hypothesis should perhaps be made. Both refer to the spatial limits of the current dispersion of trade flows: the first directly; the second indirectly.

First, once we control for the effects of the development of regional trading blocs, recent patterns of trade have pointed to a *re-concentration* of capital, and most definitely not its reprojection into a realm of truly global economic relations. Given that it is the most institutionally embedded of the three Triad regions, Western Europe is arguably the paradigm test of such dynamics. On a range of different statistical measures, the small open economies of Western Europe, in particular the Benelux countries, are the most open in the world. Taken together, these three economies' exports as a percentage of GDP stood at well over 50% as early in the capital liberalisation process as 1980 (Rodrik 1997: 26). This figure is striking in its own right; but becomes even more so when set alongside that for the last hundred years' average of the United States' exports as a percentage of GDP: which is roughly 5% (Chisholm 1995: 15). However, after controlling for the 'single market effects' of intra-regional trade, the discrepancy between these two figures all but disappears. Put simply, then, it is regional markets which dominate current trading patterns, not global markets. Indeed, the imposition of regional tariff barriers currently presents one of the most important institutional impediments to the emergence of a perfectly-clearing global market in trade.

The extent to which even the most open economies in the world are integrated into a global circuit of trade flows is much more limited than is the extent to which less open economies are integrated into regional circuits of trade flows. When taken as three single-unit blocs of North America, Western Europe and South-East Asia, exports account for only around 10% of GDP (Hirst 1997: 8); a figure which the national economies of the world have exceeded in more years of the twentieth-century than they have not (calculated from Chisholm 1995: 15). The lack of integration of trade regimes has ensured that around 90% of consumption within the Triad is sourced by production which is 'domestically' based (Wade 1996: 66).

Second, much of the recent growth in trade is accounted for by the increasing significance of *intra*-firm trade. It has already been noted that an increasing proportion of FDI flows now take the form of capital acquisitions. Such dynamics have been triggered by attempts to lessen larger firms' exposure to external tariff barriers imposed on final products. Trading between different parts of the same firm has subsequently risen quite substantially in order to complete the means through which which such barriers are avoided. Unfinished products are exported from one part of a firm to another, so that the final stage of the production process takes place in the country that the product is to be sold.

As Robert Wade reports, for instance, intra-firm trade involving US-based multi-nationals represents the equivalent of about one third of all American exports (ibid: 64). This, though, is more of an accounting fix than it is a proper export strategy. When data sets are adjusted for the existence of such accounting fixes, trade openness figures look even less like those which the globalisation hypothesis predicts than they do when taken purely at face value. Indeed, the figure for American exports, which stands at around 9% of GDP in nominal terms, is reduced to around 6% of GDP after controlling for intra-firm trade effects.

The persistence of national economic structures is very real, then, with companies remaining rooted in home bases and governed by domestic regulatory regimes (see Cox: 1997: 116-18). The institutional specificities of distinctive national capitalisms are not being overwritten in some homogenising blitz. Despite the fact that trade currently takes place within a highly liberalised international environment, the price of ostensibly identical goods can still vary widely across countries for a range of reasons which have nothing to do with systemic economic logics. For instance, and with respect to the specific case of Britain, the Monopolies and Mergers Commission is currently undertaking an extensive investigation at the behest of the Secretary of State for Trade and Industry as to why consumer prices in that country should appear to be structurally higher than they are anywhere else in the G7. The world of 'one-price' may well be familiar to orthodox economic trade models, but it is not a world which is currently being experienced in reality (on which point, see Krugman & Lawrence 1994).

International trade may indeed be capable of creating arbitrage effects in a manner consistent with orthodox economic theory. Yet, such effects have not led to price convergence as the globalisation hypothesis predicts. Given the strictly limited nature of global trade, however, price convergence should probably not be expected - irrespective of the degree to which the rules of international trade have been liberalised. The following empirical anecdote provides suitable illustrative evidence of the way in which price convergence is more advanced within national economic borders than it is across them. The calculations are John McCallum's, and the focus of his study is typical trading patterns between the United States and Canada. Even before the NAFTA treaty was signed, trade between the two countries took place within the context of the most lightly regulated bilateral agreement in the world. Effective barriers to trade were no greater between the two countries than they were within them. Still, however, McCallum has been able to show that trade between a US state and a Canadian province is dwarfed by trade between two Canadian provinces by a factor of twenty (cited in Rodrik 1997: 21-2). That is, international trade in this instance represents the equivalent of only 5% of *intra*-national trade. As such, the external linkages which could conceivably bring international prices into line in the same way as intra-national prices just do not exist.

Despite the emergence of many data sets of this nature, both the dominant discourse and the political practice of globalisation continue to revolve around the assumption of a world of 'one-price'. Of particular importance to that practice has been the way in which price arbitrage has been argued to lead to similar arbitrage effects in terms of social standards. Put simply, the co-existence of countries with very different economic norms and social institutions within a shared and highly liberalised trade environment is believed to undermine those domestic social bargains which historically have sought the highest level of labour de-commodification (see, for instance, Huber & Stephens 1999). Put more simply still, globalisation is believed to rule out all socially-progressive economic options, normalising previously discrete social contexts around a lowest common denominator liberalism. Most significantly for the analysis which is to follow in this thesis, globalising tendencies are thought to make necessary the forced extraction of the state from the economic policy-making process. Increased trade interdependencies are not only argued to be incompatible with an increasingly interventionist role for the state. Amidst populist references to a generic 'crisis' of state management, they are also argued to be incompatible merely with reproducing the state in its current form.

Once again, however, the available statistical evidence does little to explain the talismanic grip which the conventional wisdom is able to exert over current understandings of socio-economic reality. Historically, growth in trade and growth in the state have not been the kind of contradictory process which the conventional wisdom suggests that they have now become as a result of globalising tendencies. As David Cameron was the first to point out, there has been a surprisingly strong, and statistically significant, association across cases between the extent to which domestic economies have been penetrated by international trade flows and the importance of the government in regulating those economies (Cameron 1978). Following Cameron's methodology and up-dating his study with the inclusion of more contemporary data-points, Dani Rodrik has shown that both the strong association and the statistical significance have persisted long into the era of globalisation (Rodrik 1996, 1997). Lined up along a distribution matrix, at one extreme are the Benelux countries with their remarkably open economies and their high levels of government-regulated social protection. At the other end are the United States and Japan, whose low levels of government spending and welfare state coverage are matched by their low levels of trade openness.

On the basis of such figures, Rodrik concludes that "the social welfare state has been the flipside of the open economy" (Rodrik 1997: 25). Far from high levels of social protection being incompatible with high degrees of export penetration as the conventional wisdom of globalisation suggests, it would in fact seem as if increased liberalisation is incompatible with welfare state *retrenchment*. The demands which the dominant policy-making discourse currently makes are therefore built on contradictory premises. So long as restructuring tendencies continue to take a distinctively liberal form, the history of post-war state-building appears to suggest that they will increase the scope of necessary social insurance. However, globalisation is typically constructed as denying the institutional space for the macroeconomic autonomy which would be required to make expanded social protection feasible. As such, contemporary public policy-makers would seem to be faced with something of a dilemma. In continuing to ensure that globalisation remains a fundamentally liberal project, governments may simultaneously be in the process of creating domestic conditions that serve to undermine the social consensus for keeping national markets open to international trade.

Conclusion

Accepting Rodrik's conclusion, then, it is perhaps unsurprising that the creation of a domestic political context which could facilitate further international economic integration has been linked to suggestions of 'state crisis'. A concerted attempt is being made to produce globalising tendencies in a distinctively liberal form. This in turn seems likely to lead to the erosion of domestic social compromises and, as such, a crisis of legitimacy for the state.

That said, crisis narratives of this nature provide only a marginal voice in the public discourse of globalisation. Indeed, the dominant voice in this particular debate adopts the exact opposite position. The most common assumption is not that the need for preserving a social consensus is making the current process of globalisation increasingly contradictory. Rather, it is that globalising tendencies are making the reproduction of existing social norms increasingly contradictory. As such, it is the restrictively liberal parameters of economic globalisation which tend to be treated as a given; whilst it is the social settlements embodied in extensive welfare state provision which tend to be treated as expendable. The defence of a distinctively liberal globalisation is assumed to require that existing levels of welfare be sacrificed. Almost entirely absent from public discourse is the contrary assumption that the defence of existing levels of welfare requires that a distinctively liberal globalisation be sacrificed.

In the chapters which follow, I turn first to this dominant crisis narrative which is to be found in the conventional wisdom. Given that the link between globalisation and 'inevitable' state restructuring forms such an important feature of public discourse, it is almost certainly a surprise that this dominant crisis narrative is rarely rendered explicit in the existing academic literature. However, there can be little doubt that such a narrative *is* important to the political practice of globalisation. Consequently, it is to the task of analysing the putative relationship between globalisation and state crisis that the following chapter is dedicated.

CHAPTER TWO:

GLOBALISATION AND NARRATIVES OF STATE CRISIS

The market-clearing metaphors which play such a large part in the conventional wisdom of globalisation are precisely that: metaphors which relate to an ideal-typical world, rather than statements about the world in which we actually live. Narratives of state crisis which are implicit in the conventional wisdom follow the same pattern. They also relate to an idealised end-state of some future globalisation process rather than to the actuality of the process which we are currently living.

The aim of this chapter is to render such narratives explicit. In general, they are made manifest as two distinct types of claim. One dominant crisis narrative contained within the conventional wisdom of globalisation relates to state functions as a whole, and suggests that we are passing through a critical moment in the history of the state per se. I label such suggestions the narrative of 'territorial crisis'. The other relates to the functions of a certain form of the state, and suggests that critical tendencies are apparent only within that state form. I label these latter suggestions the narrative of 'rationality crisis'.

Globalisation and the Narrative of 'Territorial Crisis'

Despite widespread perceptions that the state is indeed at a critical juncture in its history, it is tempting to begin this part of the analysis with the usual retort to accusations of impending crisis. Given that the political activities of state actors continue to shape the contours of everyday experience, there would appear to be some justification for asking, 'Crisis ... what crisis?'. The conventional wisdom of globalisation may well point to the radical statelessness of contemporary social and economic relations (see, for instance, Ohmae 1990: 172). Yet, it is nevertheless true that the state remains a pervasive influence within modern societies.

A clear difference exists between the assumption that the state is now invisible because it has been abstracted from everyday life, and the assumption that the dominant pattern of state visibility is changing because the role which the state is being forced to discharge has changed (Lindblom 1979; Underhill 1995; Strange 1996; May 1998). Even in times of state reconstruction, we continue to experience the interventions of those who operate in its name. Indeed, such experiences are perhaps *more* apparent in these circumstances than they are in times of normal politics. It would therefore be a mistake to characterise the current process of state reconstruction as the state having simply disappeared. It may now be called upon to perform rather different tasks to the state of the immediate post-war period. This latter state may well be in terminal decline. Yet, it is clear that the perceived crisis is anything but universal, in the sense that it fails to encapsulate all spheres of potential state activity (see Cerny 1990; Albo 1994; Wiseman 1996). In fact, at the same time as state actors are relinquishing competencies in some policy areas, they are claiming new competencies in others.

Nevertheless, the use of more populist forms of the language of crisis within public discourse implies that there *are* universalising effects in operation here. Perceptions of a mass of contradictions within the existing structures of the state tend to be made manifest in the first instance in geographic terms: as a 'crisis of territoriality' (Poggi 1990: 177; see also Ohmae 1995; Reich 1992; Levitt 1983; Sachs & Warner 1995; Greider 1997). Doubts have been raised about the continued relevance of the national state in a world in which the constraints of territorial space seem to be ever more permeable. It is suggested that the national state has been 'hollowed-out' from both above and below by the increasingly footloose character of the capital relation. As this process has unfolded, it has been further assumed that the 'substantive institutional coherence' of the state has been progressively dissolved (see Jessop 1990: 345).

Globalisation is assumed to be changing the nature of the spatial relationships which underpin the state's successful reproduction. Indeed, such has been the adverse nature of this change that it is assumed that the state no longer enjoys sufficient competencies to ensure "the coherent expression [of its] institutional mission" (Poggi 1990: 173). As Kenichi Ohmae puts it in less abstract terms, "national borders have effectively disappeared and, along with them, [so has] the economic logic that made them useful lines of demarcation in the first place" (Ohmae 1990: 172).

In contrast to the ever more fluid spatial relationships of globalising capital, the national state remains constrained by its fixed territorial configuration (see Smith 1992). As such, the state is seen to be increasingly ineffective in its attempts to defend the 'national' interest when governance problems emerge at a spatial scale which exceeds its jurisdictional remit. As the processes of globalisation have re-projected social, political and economic relations onto a truly international stage, the conventional wisdom of globalisation implies that the state in its national form has become simply too 'small' to be able to regulate such relations (Waters 1995: 96). Furthermore, this trend has been lived out within a discursive context which effectively negates any possibility of corrective action. The dominant political discourse of the perils of 'big government' has prevented state actors from acquiring additional competencies in order to offset the increasing spatial mismatch between state and capital.

So long as globalisation persists in re-defining the capital relation as essentially 'footloose', it is assumed that the state will continue to appear anachronistic in its national form. The conventional wisdom highlights the contradiction inherent whenever a national state attempts to regulate a domestic economy which has been increasingly stripped of its essentially 'national' character. The 'reality' of globalisation is constructed as the radical 'territorial non-correspondence' which is now thought to exist between economic relations and state relations (Cox 1997: 116). The assumption that capital now enjoys abundant mobility options suggests that such relations now reside, not only on altogether different territorial planes, but also on altogether different jurisdictional planes. The conventional wisdom asserts that capital is free to take advantage of an effectively borderless world to escape the clutches of state regulation by re-defining its geographical identity. Globalising dynamics are assumed to have significantly heightened the range of possibilities for adopting short-term 'flags of convenience' in this manner. The 'crisis of territoriality' associated with globalisation is therefore announced most graphically by the emergence of a range of economic structures and processes which "have a radius of action that ignores, or denies relevance to, any given state's territory" (Poggi 1990: 177).

The national specificity of capital is thought to have been undermined in particular by the integration of the world's financial markets into a single trading entity (for differing interpretations of such a trend, see for instance Helleiner 1994; Thrift 1995; Drucker 1997; Schaberg 1998). Spurred on by the normalising effects of speculative flows of capital which have shown themselves able to override government policy at will, talk has been rife about the potential for economic and political homogenisation. Prior to the onset of globalisation, the international economy had been a space of difference. This was both a cause and a consequence of the different mediating roles played by individual states in guaranteeing temporally-specific compromises between the competing parties to the national production relation. However, the public discourse of 'territorial crisis' assumes that this expression of national difference within international economic space is no longer possible. For, the primary agent responsible for authoring such difference, the state, increasingly appears to be by-passed by global financial relations. At best, national states are now thought to 'operate downstream' from the international financial markets. As such, the conventional wisdom is that they are effectively powerless to do anything other than go with the flow of speculative movements of financial capital: swimming with the apparently irresistible tide of homogenising economic forces for fear of sinking without a trace should they attempt to assert their difference too vigorously. A new, compelling 'reality' is being constructed within public discourse, and this has had significant effects on the way in which the world is being experienced. It is now routinely presented as an unquestionable fact that homogenising tendencies will become ever more deeply embedded as globalisation eradicates national institutional specificities and re-projects social relations onto a "supra-territorial plane" (Scholte 1996: 49).

However, the underlying aim of this thesis is, of course, to challenge such a claim. That challenge revolves around my counter-claim that the future remains less closed to political contestation than the homogenisation hypothesis allows. The narrative of 'territorial crisis' may well reveal the major rhetorical position of the conventional wisdom of globalisation. But it is much less clear whether such a position can be substantiated at an empirical level. Indeed, the empirical data which was introduced in the previous chapter can only be read in one way. Market-clearing metaphors may well form a crucial part of the conventional wisdom of globalisation. Yet, any suggestion that such metaphors represent an accurate reflection of the social reality of everyday experience can be decisively rejected. Insofar as assumptions of a generic 'territorial crisis' of the state are constructed using exactly the same metaphors, then a similar standard clearly applies in this instance as well. The homogenisation hypothesis and its associated inflection of generic state crisis are such a selective reading of contemporary events that, when exposed to the rigours of empirical scrutiny, it proves to be a fundamental *mis*-reading of a significantly more complex social reality.

Such complexities can be summarised in two points: i) There is no evidence for the existence of a global equilibrium of supply and demand. As the previous chapter demonstrated, the economic conditions which lie at the heart of the narrative of 'territorial crisis' speak of an imagined world rather than the world of actual practice. ii) Even if the reverse was true, there would still be no basis on which to simply read off the 'inevitability' of state crisis from the underlying economic conditions. There is much more to the reproduction of the state than can be discovered merely by talking about its economic base.

The homogenisation hypothesis is grounded on assumptions about the way in which footloose flows of global economic forces are likely to erode, indeed *have* eroded, the specificity of national political structures. Such a view is predicated on observations of the increasingly porous nature of the boundaries of formerly closed national economies (see Perraton et al 1998). However, to argue that the processes of globalisation entail the systematic by-passing of the state and, eventually, its necessary obsolescence, requires a prior theoretical assumption that the manner in which the state is reproduced can be reduced purely to its economic determinants. This assumption would be analytically dubious at the best of times: that is to say, were there to be unambiguous evidence that the processes of globalisation took the same form in practice as they do in the conventional wisdom. Quite clearly, given the absence of such evidence, this assumption looks even more of a hostage to fortune. Moreover, this is not to claim that there is just an empirical problem here. Irrespective of the evidence of the empirical data, there would be no acceptable analytical grounds on which to make the assumption of economically-determined state reproduction.

The state, as a concrete historical phenomenon located in a specific spatial and temporal context, is a product of the interaction between a range of contingent social, political and economic factors. As such, it remains fundamentally under-determined at the level of the economic (Jessop 1982, 1990). Consequently, the implicit economism of much of the existing globalisation literature prevents the present debate from capturing fully the complexities of both the state and state power. Notwithstanding arguments about globalisation, the state continues to derive two resources which are essential to its reproduction from distinctively *political* processes. Both its identity (that is, the means through which the state is reproduced *as a state*) and its legitimacy (that is, the means through which the *power* of the state is reproduced) emerge through such processes. Thus, the state remains the primary focus of political socialisation, mobilisation, identification and representation.

In none of these cases has the 'supra-territorial' managed to supplant the 'territorial', or has the 'supra-national' managed to supplant the 'national', as the dominant space of politicisation. As a result, and independent of the extent to which the changing spatialities of the capital relation can be assumed to have hollowed-out the state, its distinctively national character has yet to be superceded. It is therefore necessary to investigate the counter-claim to the conventional wisdom that the homogenisation hypothesis describes a new social reality in which national institutional specificities have been dissolved in the face of global economic forces. National differences of state formation have proved to be far more enduring than is allowed by the assumption that common pressures will always result in common outcomes.

The national character of political socialisation, mobilisation, identification and representation suggests that national responses to globalising pressures will not all be the same. Such pressures, as and when they exist, will pose different challenges to different forms of political activity. Therefore, it is to be expected that they will also elicit different responses. In short, globalisation should only ever be viewed as a tendency. To this, there may or may not be counter-tendencies, depending on the dominant form of political mobilisation existing in the country under review (see Hay, Watson & Wincott 1999). Even, then, if the dominant tendency inscribed into globalising dynamics *was* to be towards a generic crisis of the state, there can be no guarantee that there would not be successful counter-tendencies mobilised to prevent such a tendency being made manifest in all circumstances. Far from globalisation and homogenisation being interchangeable concepts, should we reach some future point in which the economic conditions for globalisation are very much more apparent than they are at the present time, globalisation is still unlikely to lead to homogenisation. A range of diverse social structures of accumulation currently flourish under the influence of globalising tendencies which are at best embryonic, and at worst non-existent. Moreover, a range of diverse social structures of accumulation are likely to continue to flourish even under the influence of some idealised end-state of full globalisation.

Indeed, the reproduction of national political and institutional differences appears to have been a *pre-condition* for facilitating the strictly limited globalisation process which is currently visible. Globalisation embodies a deliberate attempt to release the capital relation from the jurisdictional remit of the state in order that the balance of competitive advantage within the international economy be shifted towards those national economies already organised along liberal market lines (see, for instance, Taylor 1997). A clear paradox can therefore be identified in terms of the way in which the conventional wisdom constructs this re-drawing of the parameters of competitive engagement. According to the conventional wisdom, a process has been unleashed which will now sweep all before it in the wake of irresistible economic pressures, 'forcing' a convergence of all capitalist models on the ideal-type liberal market economy. Thus, it is argued that globalisation is creating a world in its own image, consequently eroding those essential political differences from which it emerged in the first place. Unless it is to be believed that a process has been initiated which, like Frankenstein's monster, subsequently turns on its creator, it is necessary to search for more subtle explanations of both the causes and the consequences of globalisation. That search leads us neatly into the next section.

From the Homogenisation Hypothesis to 'Refracted Divergence' and Back Again

It has been state-sponsored reforms to the dominant circuit of capital which have led to the emergence of arguments, most of which have been exaggerated, about the economic conditions of globalisation now being in place. Subsequently, such arguments have been turned into assumptions of a generic crisis of the state. We should maybe not be too surprised that a distinctively economistic causality has been appealed to in order that the assumption of a generic state crisis be made to resonate. For, it is only when the debate is set in these terms that it can be suggested that the state has run its course. On closer inspection, the present phase of capitalist restructuring is linked more to a reconstitution of the role of the state than it is to the state's necessary obsolescence. Indeed, the restructuring process would be stripped of much of its dynamic content were it not for the facilitative role of state actors. Far from the state being stuck in some Fukuyamian vacuum having reached the end of its own history, those features of the external environment which are thought to have rendered the state increasingly problematic are themselves only ever produced in the first place via the exercise of state power.

The conclusion of state crisis implicit in the homogenisation hypothesis would therefore appear to be groundless. Yet, still it continues to be advanced, not only in practitioner discourse but also in much of the existing academic literature. It may well be that practitioner and academic discourses contain slightly different inflections. However, such differences typically are more a matter of degree than they are a question of absolutes. Practitioner debates tend to be structured in rather cruder language, suggesting the future possibility of a total annhilation of national spatial and institutional differences.

Academic debates tend to be less crude, although they too are most often conducted through strictly reductionist language.

Taking the academic debates at face value, divergent modes of organising the economy are forecast to persist, at least in the short-term. The idea of path-dependency is enlisted in order to argue that cognitive, political and institutional factors will impede the road to full homogenisation for a number of time periods. Whilst the market-clearing world of the conventional wisdom is one of instantaneous adjustment, the real world of path-dependent economic institutions is assumed to be one of significant time lags.

In what is perhaps the most comprehensive analysis of such a position, Herbert Kitschelt, Peter Lange, Gary Marks and John Stephens express a desire to remove any implication that the political change associated with globalisation is merely functional to a governing economic essence. This they do by introducing the notion of change as "refracted divergence" (Kitschelt et al 1999: 427-60). More than anything, such a conception is intended to capture the politicised nature of the capital relation. Divergent modes of political mobilisation are assumed to have led to divergent economic practices, and the difference in these practices is further assumed to have led to different counter-tendencies being mobilised to globalising pressures (cf Berger & Dore 1996; Weiss 1998).

Note, however, that the use of path-dependent assumptions does not prevent globalising pressures themselves from being conceived in homogenised form. It may well be that national modes of political mobilisation are seen as having produced national path-dependent trajectories of capitalist evolution. Yet, these different evolutionary processes are assumed to have been punctuated by an unfolding conjunctural moment associated with contemporary capitalist restructuring. Hence, all path-dependent trajectories have been subjected to refractory dynamics, which have in turn disturbed the systemic direction of the different paths being followed by injecting a critical moment of discontinuity into their development.

It is therefore clear what is being meant by 'path-dependence' in this instance. The introduction of the concept serves merely as a short-hand for some sort of appreciation that history matters. Yet, that appreciation does not appear to be the same as saying that small differences in initial starting conditions can, through a process of cumulative causation, lead to magnified differences which will ensure that historical specificities will be reproduced indefinitely. Rather, history is assumed to be an effect which has a diminishing impact over time. Set within the context of 'refracted divergence' arguments, path-dependence does not seem to imply continued divergence per se. It implies divergent tendencies which have strict temporal limits, and which are susceptible to being overwritten by the emergence of a new systemic logic.

To point to two different understandings of the notion of path-dependence is not merely to engage in semantics. It is an important point which deserves further exploration. By focusing on the path-dependent characteristics of various models of contemporary capitalism, Kitschelt and colleagues express a concern to emphasise the diverse dynamics of change induced by globalisation. The notion of 'refracted divergence' is introduced with precisely that goal in mind: to do away with assumptions of a systemic logic of change associated with globalising pressures. Yet, they do this by replacing assumptions of a systemic logic of change with assumptions of a series of sub-systemic logics of change. Here, each of the various real-world 'models' of capitalist accumulation adapt to the pressures of globalisation in a manner which is internally consistent with their different principles of organisation. Kitschelt and colleagues' definition of 'refracted divergence' is a situation in which "some of the past patterns of diversity disappear ... [to be] replaced by new ones". Clusters of capitalism display different evolutionary dynamics, reflecting the specificity of "institutionally-mediated responses to the challenges posed by the new environment" (Kitschelt, Lange, Marks & Stephens 1999: 437).

Both aspects of this last quotation must be unpacked. Firstly, the emphasis on 'institutionally-mediated responses' show the potential gains to be made from following Kitschelt et al's insistence on re-thinking the political logic of no alternative which lies at the heart of the homogenisation hypothesis, and which suggests that globalisation effectively mandates certain policy responses. Secondly, however, that emphasis is set within the context of unquestioning assumptions about the 'challenges posed by the new environment'. The institutionalist 're-think' is therefore directly solely at the different institutionally-mediated *responses* to a common set of pressures. No account is taken of the possibility that the processes of institutional mediation will not create a common set of pressures at all, but rather a disparate set of pressures. We are being advised to re-think the responses to globalisation, then. Yet, set within the context of unasked questions about the possibilty that the 'challenges posed by the new environment' are themselves experienced differently across both space and time, we are not being advised to re-think globalisation itself.

Whenever attempts are made to describe exactly what it is that has caused this 'new environment', and hence what it is that has ushered in political change, the analysis of 'refracted divergence' essentialises economic explanations in a manner reminiscent of the homogenisation hypothesis. The refractory dynamic is seen to be triggered almost entirely by the internal restructuring of capital. Subsequent changes in the non-economic environment are thus read off from their underlying economic determinants. The conjunctural moment which is an implicit assumption of the notion of 'refracted divergence' remains fundamentally an economic moment.

Yet, herein lies something of a contradiction. On the one hand, it is existing path-dependent factors which are heralded as those rigidities within the system which prevent the total de-politicisation of national economic space in the face of globalisation. However, on the other, these same factors are seen to be in the process of being overwritten by a new logic of path-dependency driven by exogenous economic change. Given that globalising tendencies are thought to negate the original institutional specificity of national accumulation regimes, 'post-refracted' divergences are likely to look very different to 'pre-refracted' divergences. Indeed, the assumption is that globalisation highlights a 'best-practice' method of organising the capitalist economy along liberal market lines. As such, the 'pre-refracted' divergences are likely to be compressed, consistent with perceptions of such a systemic logic. Thus, the internal restructuring of capital is assumed to have been the cue for a period of convergence in both the form and the function of the national state. Once again, reductionist assumptions are being drawn about the ability of exogenous economic forces to generate endogenous political change. In short, the ‘crisis of territoriality’ of the national state re-emerges as the moment of refraction crystallises into a challenge, both to the specificity of ‘pre-refracted’ divergences, and also to the autonomy of national economic space.

Contrary to its authors’ claims, then, the notion of ‘refracted divergence’ does not represent a wholesale challenge to the homogenisation hypothesis. On closer inspection, the only appreciable difference between the two positions would appear to be one of timing. Until the time that original path-dependent trajectories are overwritten by globalising tendencies, the crisis of territoriality associated with globalisation is thought likely to be ‘lived out’ nationally. In other words, distinct national responses to transnational pressures are predicted to be the norm. Once that time has come, however, assumptions of a multi-speed globalisation tendency exhibiting ‘variable geometries’ are thought to be increasingly less likely.

As is clear, then, homogenising tendencies remain an integral, if implicit, feature of the ‘refracted divergence’ hypothesis. It is assumed that the *timing* of the moment of refraction has been experienced differently across the range of capitalist economies depending on the precise manner in which globalisation has exposed the contradictions in the existing accumulation regime. Yet, no such parallel assumption is made about the potential for the *way* in which the moment of refraction will be experienced to differ between countries. 'Multi-speed' globalisation processes may well be forecast to persist in the short-term. Beyond the short-term, however, the dominant image of determining exogenous economic forces effectively rules out the possibility that globalisation bears a 'multi-*directional*' logic. As such, whatever national differences currently remain in terms of organising the capitalist economy are thought to be *in the process* of being undermined by globalisation's normalising effects.

Thus, what at first glance appear to be competing understandings of globalisation subsequently collapse into a single analytical framework with a single set of political implications. The 'refracted divergence hypothesis' and the 'homogenisation hypothesis' should be seen as descriptions of two related aspects of the same tendency. However, this may not be all that unexpected. For, as Peter Taylor observes, the word 'globalisation' has "a peculiar double meaning" (Taylor 1997: 3). It simultaneously facilitates both a synchronic and a diachronic understanding. The word 'globalisation' can be interpreted as either a reference to a normalised condition of stasis, the end-state of *being* 'globalised'; or, alternatively, to a contextually differentiated moment of progress towards the condition of stasis, the process of *becoming* 'globalised'. This latter formulation creates a conceptual space for theorising the "multiple causes" of the *processes* of globalisation and the "likelihood of multiple equilibria" of the *end-state* of such processes (on which point, see Perraton et al 1997: 258). Yet, this space is all-too-frequently closed off in the existing literature by the failure to acknowledge explicitly that globalisation remains fundamentally under-determined at the level of the economic. At no stage does the internal restructuring of the capital relation create a context which becomes determining over subsequent political action. Contemporary economic transformations will clearly have a *conditioning* effect on those social relations which are embedded within an economic framework; the opening up of new circuits of capital will make some changes in the political environment more likely than others. However, the *precise configuration* of that change remains essentially contingent, primarily because the precise character of the experience of globalisation is itself dependent upon prior political dynamics.

Globalising tendencies are likely to be interpreted in different ways depending upon the exact nature of their perceived impact on highly differentiated domestic institutions. In turn, these diverse perceptions are likely to be reflected in a variety of different mediations of the 'real' economic processes which are at work and, ultimately therefore, in a range of different globalising outcomes. Thus, the globalisation process itself appears to be limited in time and space; such parameters being variously constructed according to the dominant cognitive and political traditions which have been successfully institutionalised in distinct national settings. Therefore, there would appear to be no generic logic of globalisation in a world which continues to be territorially-bounded by a system of national capitalisms. Indeed, within such a system, globalised outcomes may themselves be produced via very different, and possibly even mutually independent, causal mechanisms. As a consequence, an adequate understanding of globalising tendencies will almost certainly be impeded by appeal to a generic logic.

This will be the case in those instances in which economic markets clear in a manner consistent with the existence of a global equilibrium. Moreover, in those instances in which market-clearing dynamics of this nature are not apparent, the appeal to a generic logic of globalisation would seem to be even more misplaced. Given that this latter situation more closely approximates the majority of instances, any insistence on explanations which highlight a generic logic of globalisation is extremely dubious.

Indeed, not only are they analytically dubious, they also threaten to sustain those dynamics which they purport merely to be describing. An important process of mutual constitution is in operation here between, on the one hand, those supposedly homogenising tendencies which academic discourse sets out to explain and, on the other, homogenising models which academics fall back on in order to explain those tendencies. As we delve further into the academic literature of globalisation, it becomes apparent that it is replete with analyses which contribute further to the evidence enlisted in support of the view that globalisation equals homogenisation. But it does so precisely because the starting point for such analyses is typically to accept *a priori* some variant of the homogenisation hypothesis.

The homogenisation hypothesis does not necessarily have to be true for us to see the emergence of homogenising dynamics within the political environment (see Hay & Watson 1998; Hay, Watson & Wincott 1999). All that would seem to be required to summon the consequences which that hypothesis would predict if it *were* true is that governments act in a manner consistent with the hypothesis. The question of whether the hypothesis *is* an accurate reflection of real-life dynamics is in many ways besides the point. Similarly, should the academic literature converge on explanatory models which take globalisation's homogenising instincts as a given, then the production of knowledge about globalisation will also serve to confirm the homogenisation hypothesis whether it is true or not.

Moreover, the context in which we currently operate is one in which both practitioner and academic discourse appear to accept as true the assumption of globalisation and its homogenising effects. As a result, both communities currently act in a way which renders talk of a generic logic of globalisation mere 'common-sense'. Significantly, such 'common-sense' has required little in terms of underlying basis in fact for it to have become politically resonant. For example, the resonance of narratives of state crisis clearly continues to abound in public policy-making debates; this at the same time as the weight of empirical evidence contradicts claims about the very existence of the material conditions which are identified as the source of the 'crisis'. This is a paradox which exists at the core of both the public discourse and the political practice of globalisation. It is also a paradox on which I attempt to shed more light in the following section.

Globalisation and the Narrative of 'Rationality Crisis'

Perceptions of a generic logic of globalisation are brought to life in the assumption that we have passed through a critical juncture in which the capitalist system has been locked-in to a new logic of 'progress'. It is taken as read that some national capitalisms have been better placed than others to respond to globalisation's perceived necessities. These economies have therefore been quicker to make 'progress' towards internalising the functional imperatives for facilitating the political demands which globalisation dictates. However, all the advanced capitalist economies are assumed to be making *some* such progress, albeit at their own pace (see, for instance Thrift 1996; Greider 1997; Perraton et al 1997; Borrego 1999; Stephens, Huber & Ray 1999).

Globalisation's 'logic of progress' is assumed to expose as vulnerable certain forms of national capitalism and, as such, also certain forms of political intervention within the national economy. In particular, it is thought to have solved the tension between regulating the capitalist economy in line with organised or liberal market norms. A decisive victory is typically announced in favour of the latter. The image of 'progress' associated with the de-spatialising effects of globalisation, then, is one of political conformity. The perceived crisis of the state, whilst still remaining largely implicit, has consequently experienced a subtle shift. In the narrative of territorial crisis, globalisation tends to be equated with a crisis of national *economic* space. Here, however, the contemporary crisis of the state takes the form of a crisis of national *political* space.

It is not difficult to find commentaries on these perceptions of 'enforced' political conformity within the existing literature. As Peter Hall argues, for instance, in an attempt to capture this sense of a political logic of no alternative: "An old spectre is haunting Europe: the spectre of liberal orthodoxy" (Hall 1998: 1). David Coates identifies a similar dynamic developing within public discourse when he suggests that: "*The* answer both to the diminished competitiveness of Western European welfare capitalism and to the unexpected emergence of Japanese financial instability" is now assumed to lie in restoring to prominence the traditional "'Anglo-Saxon' way of running capitalism" (Coates 1999a: 644).

The rhetorical position which dominates public knowledge of globalisation, and which the authors cited above attempt to critique, is highly economistic in nature. The likely political landscape through which the state could reasonably be expected to travel is assumed to have been narrowed by an apparent inability to think outside the confines of a future in which the internal restructuring of capital promotes market over non-market solutions (see Teeple 1995: especially 145-6). The analysis which forms the grounding for such a conclusion is the same as that which is to be found in the narrative of territorial crisis. As before, the analysis starts with the assumption that capital is sufficiently rational to take advantage of the enhanced exit options from the national economy which globalisation offers. It is assumed that the only condition which needs to be present for exit to become a reality is that capital considers it to be in its interests to move off-shore to escape non-market regulation. Increases in the spatial mobility of capital are thought to have opened up new geographic circuits for the realisation of profit. Driven by its instinct to maximise surplus value, capital can be expected to disembed itself from existing production relations in countries which are pursuing "policies unfavourable to global markets", before subsequently re-emerging in countries which favour "'market-friendly' policies" (Perraton et al 1997: 257).

Thus, a subtle move is apparent which takes the argument away from the narrative of 'territorial crisis'. Under the terms of that narrative, the disembedded nature of capital is argued to have rendered the national state universally anachronistic. Inherent in such a claim is a wholesale 'death of the state' hypothesis. Re-inflected with these more subtle tones, however, the state would not appear to be 'dead' per se. Indeed, it is being provided with a route to its own salvation. Any state which can become an effective market-leader in the race to introduce 'market-friendly' policies is assumed to be well-placed to attract new capital investments; thereby providing itself with an economic base of sufficient vitality to safeguard its own future reproduction.

If we are to take this re-inflected crisis narrative at face value, then, it could be that we are not talking about a systemic crisis at all. Economic globalisation does not appear to have rendered 'the state' an obsolete abstraction. Rather, it is being argued to have changed the structure of the underlying environment in which capitalist social relations are embedded. As the state is itself a part of that structure, its role in the reproduction of capitalist norms is thought to be changing in line with these changes in the norms themselves. The new economic 'reality' of heightened capital mobility may well be assumed to be stripping states of a range of policy competencies, whilst at the same time transferring those competencies to the market (see, for instance, Boyer 1996; Brodie 1996). Yet, this is not the end of the road for the state per se. It is only those governments who have tried to resist this state-market power transfer which are thought to be vulnerable to market retribution in the form of capital flight. Arguments about globalisation may well point to the tendential dissolution of spatial heterogeneity. But, as Michel Aglietta noted long before the notion of globalisation came to dominate government rhetoric, assumptions about dissolving spatial heterogeneity themselves tend to act as 'cover' for arguments advocating the creation of a "homogeneous space of 'pure' market relations" (Aglietta 1982: 5).

At all times, then, assumptions of 'territorial crisis' also contain an in-built solution. In fact, the in-built solution is more important to the analysis than is the identification of the 'crisis' which requires that solution. The state's 'crisis of territoriality' may be only the geographic moment of a rather different tendency. Perceptions of a 'crisis of territoriality' point to the possibility that globalising tendencies make problematic *the specific spatial realm* of action associated with the state in its national form. However, the dominant rhetoric of globalisation moves beyond such a claim to cast doubt on the plausibility of *certain forms of state action per se*. A perceived 'crisis of territoriality' serves merely as the geographic expression of a perceived 'crisis of rationality' (on the theory of which, see Habermas 1976, 1996; Offe 1985).

The 'crisis of rationality' of the national state form emerges through the construction of a binary opposition between 'state' and 'market'. Such an opposition has subsequently been set within the context of a dominant discourse of globalisation which views the replacement of states with markets as a functional imperative of the increasing deterritorialisation of the circuit of capital. Unsurprisingly given such a series of equivalences, the discursive space within which the state is considered a legitimate actor in economic relations is significantly narrowed. The dominant discourse of globalisation therefore constitutes a very definite limit on the range of possible practices open to state actors. Such limits are legitimised within the terms of the discourse by the underlying rhetorical context of state crisis.

However, the theory of 'rationality crisis' associated with the heightened incidence of capital mobility is based on a tautological understanding of the effects of globalisation. Globalising tendencies problematise state activity only to the extent that the dominant rhetoric of globalisation confirms as correct a prior ideological shift in favour of market solutions by hegemonising 'the market' at the expense of 'the state'. Perceptions of 'rationality crisis' are therefore constructed on a 'proof' which is little more than an *a priori* ideological assumption which sets up the state as the market's 'other'.

Of course, as I have been at pains to show in this chapter, the fact that discourses may have no grounding outside of a series of self-referencing and self-perpetuating hypotheses need not rule out the possibility that they will become politically resonant. If they can be made to speak directly to the way in which everyday experience is 'lived out', they can have subsequent real effects irrespective of their logical consistency. Such is the claim that I am attempting to make in relation to the dominant discourse of globalisation. Within the confines of globalisation rhetoric, the perception that active economic management is now impossible is articulated as a matter of course. The onset of globalising pressures is assumed to have exposed the "qualitative limits" of progressive modes of social regulation associated with extensive welfare state provision and encompassing labour markets (Ryner 1997: 5). Set in such a context, the parameters of the politically possible have been narrowed to such an extent that the welfare state is assumed to have "grown to limits", and even beyond (Stephens, Huber & Ray 1999: 166). 'Rationality deficits' are argued to have emerged because the functional demands which the continued reproduction of the welfare state places on the national economy are themselves thought to be contradictory to the continued reproduction of that economy in an increasingly global environment. According to the conventional wisdom of globalisation, these deficits are now at a critical level, as the on-going processes of capitalist restructuring continue to relieve domestic economies of their 'national' identities.

In Habermas' original formulation, the theory of 'rationality *crisis*' is fundamentally linked to a theory of economic crisis. As he goes on to suggest, however, rationality *deficits* appear to have their point of origin in overtly political dynamics. In particular, they are associated with the political system's inability to 'cope' with the latent contradictions of the economic system. Crisis tendencies within the economy emerge as rationality deficits within the political realm at those moments in which the state fails to successfully reconcile the competing, and often contradictory, functional imperatives received from the economic system (see Habermas 1976: 45-7).

The conceptual framework which Habermas establishes to explain such a process is that of a 'logic of crisis displacement'. Economic crisis tendencies have shown themselves to be a persistent feature of the history of advanced capitalism, and yet such tendencies consistently fail to be made manifest as a political threat to the continued existence of the capitalist system per se. The reason for this displacement effect is that the state has increasingly been charged with responsibility for alleviating the immanent contradictions of the capitalist realisation process. The competitive imperative is fundamental to the expanded reproduction of capital, as it acts as the motive force underpinning the continuous restructuring of capitalist production. At the same time, however, within a system of 'pure' market relations, increases in competitiveness can only be bought at the cost of diminishing profit and the consequent liquidation of a range of capitalist assets. Hence, unchecked, the capitalist system threatens to self-destruct as the arrival at successive points of systemic equilibrium entails the erosion of the system's productive base.

Consequently, the capitalist system of 'pure' market relations is *never* allowed to operate unchecked. Instead, the state is increasingly introduced into capitalist production relations in an attempt to provide an economic context within which the trend rate of private profit can remain relatively robust. It is the state's necessary mediating role, preventing the capitalist economy from destroying its own means of expanded reproduction, which explains why fundamental contradictions emanating from within the economic system tend to assert themselves as *political* crises of rationality. Political interventions undertaken in the name of the state have failed to move beyond a 'structural subordination' to the perceived needs of the market economy (Offe 1985: 119-29); thus, enabling the latter to retain *its* essential identity and associated developmental logic, whilst making those of the former susceptible to periodic change. As a result, if the state as currently constituted is found to have insufficient or inadequate structural resources to offset the emergence of crisis tendencies within the economy, then the state's structural subordination to capital tends not to be called into question, and certainly not the very existence of the capitalist mode of production per se. By contrast, in a classic case of 'shooting the messenger', it is the specific form of the state which is most often viewed as problematic, and hence ripe for change.

As a consequence, the state appears to lack the structural capacity to ensure a once-and-for-all reversal of the tendential fall in the private rate of profit under the influence of ever more aggressive capitalist competition (Habermas 1976: 45). The state, however, remains central to the realisation process. Yet, the form which the state takes, and the functions which it fulfils, are likely to be subjected to dynamics of change over time. Critical junctures emerge when a process of restructuring is constituted in popular political discourse as both 'inevitable' and 'necessary'. These decisive discursive interventions are typically grounded within an underlying material context in which the state is shown to be unable to guarantee profitable circuits of capital. It is in conjunctural moments such as these that the state, *in its current form*, is thought to have transgressed the bounds of its own rationality.

A clear paradox is visible in such a conclusion. On the one hand, it is the state which has to act as the motor of legitimation for capitalist production. It does this by maintaining the perceived rationality of market relations; ironically, through institutionalising a series of checks on the operation of a 'pure' market order. As such, it is state actors who prevent the 'progressive development' of the capitalist system from eroding the very foundations of the productive base on which it is built. Yet, as soon as the state is found to be no longer able to provide the capitalist system with sufficient resources of legitimation - resources which the system is unable to generate for itself - it is the state and not the system which is thought to be suffering from a rationality deficit.

The history of the development of the modern state shows that it has indeed been susceptible to periodic political restructuring. Decisive moments in this development have occurred whenever the state has been unable to absorb the displaced effects of contradictions emerging from an economic system prone to temporary disturbances. The fact that it is the economic system which has proved immune from the process of reconstruction, even though it has been the source of the crisis tendencies which have resulted in reconstruction elsewhere, leads me to affirm Habermas' claim that there is a logical inconsistency in the way in which 'rationality crises' tend to be experienced.

Moreover, if 'rationality crises' are paradoxical in general, the specific 'rationality crisis' associated with globalisation contains a double paradox. According to the dominant narrative of state crisis, the restructuring process which globalisation is assumed to necessitate attempts to restore to primacy something approaching a 'pure' market order.

However, it is precisely such an order which historically provided the trigger for the self-destructive tendencies which required the introduction of government regulation in the first place. Hence, arguments for increasingly disembedding the state from the economy are based upon a commitment to the very same order which in previous times had necessitated the *embedding* of the state within the economy.

If the conventional wisdom of state crisis is to be believed, then, the evolution of modern capitalism appears to have come full circle. It seems to have returned with the onset of globalising tendencies to the point at which its contradictory impulses were first set free. Perhaps unsurprisingly given the circularity of the arguments, missing entirely from the dominant crisis narratives outlined in this chapter is any appreciation of the means through which globalising tendencies have become institutionalised within the international economy. Missing also is any appreciation of *whether* such tendencies *have* been institutionalised in the way in which the dominant narrative contends. The national state is merely *assumed* to have lost power to a new network of global markets. No account is offered of *how* such a network has been created; *whether* it has indeed been created; *who* it is that is responsible for authoring its creation; and *who* it is that is responsible for popularising the idea that such a network exists before adequate empirical analysis of that existence has been undertaken. These are issues which will, of course, be addressed in later chapters as the analysis proceeds beyond the terms of the conventional wisdom.

Conclusion

As concepts capable of performing serious academic tasks, the dominant narratives of state crisis to be found in the conventional wisdom of globalisation are clearly found wanting. Neither the narrative of 'territorial crisis' nor that of 'rationality crisis' stand up outside their own circular terms of reference. The reason for this is relatively straightforward.

As any cursory re-reading of the preceding analysis is sufficient to reveal, globalisation is most often conceptualised as a process without a subject (see Hay & Watson 1998; Hay & Marsh 1999). The 'consequences' of globalisation are assumed to be there for all to see; but its 'causes' remain tantalisingly out of sight. They are effectively hidden from view by the implicit theoretical position contained within the dominant crisis narrative. This suggests that states and markets are isolated aspects of social reality and, if they are linked in any way at all, then this is a purely external link. Assumptions of state crisis in this context therefore need a prior conceptual dichotomy of 'states versus markets'.

In the chapters which follow, I attempt to explain in more depth why such a dichotomy is untenable. It may well facilitate crisis narratives which promote the popular image that states are in the process of losing power to markets. However, it does so in a way which fails to capture the essence of either. The Hayekian notion of the market's 'spontaneous order' is implicit in the dominant rhetoric of globalisation, conjuring as it does the idea of an autonomous sphere of economic activity independent of political effects. Yet, the idealism of such an image is quickly exposed when subjected to the rigour of empirical testing.

In reality, markets are 'made'. They require continued political interventions to secure their successful reproduction (for the classic statement of such a position, see Polanyi 1957). Far from the internationalisation of economic activity announcing the end of the state, then, where such internationalisation is visible in the form of newly-emergent global markets, it is in fact the *creation* of states. In short, wherever we see evidence of a global circuit of capital, that circuit is, to a significant degree, being authored by state actors. Similarly, in those instances in which evidence for the existence of global supply and demand dynamics is sparse yet governments still act in accordance with the predictions of the globalisation hypothesis, 'globalising' outcomes are once again the result of interventions by state actors.

The terms of the globalisation debate are thus immediately changed by the recognition that state actors need to be inserted into any adequate understanding of globalising outcomes. Moreover, they need to be so on the basis of the assumption that they are *conscious political subjects*. Such is the task of the remainder of the thesis.

CHAPTER THREE:

THE SUBJECT OF POLITICAL ECONOMY RESEARCH:

STATES VERSUS MARKETS; STATES AND MARKETS;

OR STATES, MARKETS AND SOCIETY?

As the thesis unfolds, I attempt to establish an analytical framework which enables globalisation to be set within a markedly different context to that of the conventional wisdom. The dominant political narrative of state crisis emerges as a result of the way in which globalisation tends to be conceived as a process without a subject (Hay & Watson 1998; Hay & Marsh 1999). In order to facilitate the move to an analytical position which starts from the assumption that globalising outcomes require consciously-acting subjects, this chapter focuses on the relationship between states and markets.

The conventional wisdom contains an implicit assumption about this relationship which treats states and markets as conceptually distinct. Both are believed to be independent aspects of a wider social reality; each being a setting for the potential exercise of 'power' over the other. Set in this context, the emergence of global markets is argued to problematise the national state because this is thought to equate with an increase in the power of the market at the expense of that of the state.

As soon as the conceptual dichotomy between states and markets is dissolved, however, this link between globalisation and state crisis immediately appears to be somewhat exaggerated. Indeed, the logic of such a link would seem to be open to question, whenever states and markets are assumed to be locked into a relationship of mutual interdependence. Viewed through this latter perspective, states are indispensible to the process through which markets are constituted. If the word 'globalisation' is to be used to describe the tendency towards global market formation, then we would appear to be left with a conclusion which clearly contradicts the conventional wisdom. Actors operating in the name of the state are similarly indispensible to both the initial production, and subsequent reproduction, of globalising tendencies.

The chapter concludes by taking a rather different turn. Whilst I suggest that the focus on states *and* markets is to be preferred to that of states *versus* markets, I also suggest that both leave the logically prior ontological question about the *nature* of states and markets fundamentally unasked. In circumstances in which this persistent weakness within the political economy literature is addressed, I suggest that more can also be learnt about the nature of the changing international economic environment. This I attempt to do by beginning to look not only at the relationship between states and markets. In addition, I ask questions about the form that the state takes at any given moment, and about the form that the market takes at any given moment. I attribute both to the underlying balance of political forces within society at that particular moment. As such, the focus of the study begins to be shifted in order to produce the conceptual space for the arguments which appear in later chapters. Subsequently, the analysis will be focused less on globalisation per se, and ever more on the domestic social conditions which make globalising outcomes possible in a particular context. In short, globalising outcomes are anything but socially neutral; therefore, it is necessary to be working from an analytical position which refuses to abstract states and markets from their wider social settings.

The Political Construction of Markets; The Political Construction of Globalisation

In orthodox economic theory, the market mechanism is assumed to operate in a way which ensures that any given set of societal resources will be designated between competing productive interests in the most suitable manner. In public discourse, the idea of globalisation is usually appealed to in order to sustain arguments that we now live in an era of 'invisible hand' dynamics. However, globalisation itself has not proved necessary for orthodox economists to work with models which predict exactly the same effects that globalising tendencies are believed to produce. The 'invisible hand' has always been assumed to move with minimum delay, and maximum effect, to re-direct factor inputs towards a point of Pareto-optimality (see, for instance Vaughn 1996; for the counter-argument, see Kaldor 1972). Once in this position, no more allocative-efficiency gains are available. Therefore, a pure market order is considered to be the ideal.

Meanwhile, the state is assumed to act in a way which militates against optimal solutions of this nature. Driven by the particular interests of its political constituents, the state's concerns tend to lie in the realm of wealth distribution rather than wealth creation (for a commentary on which, see Coates 1999). As such, according to orthodox economic theory, state policy is more likely to be focused on distributive-efficiency and not allocative-efficiency. It is perceptions of this insoluble divide between distributive-efficiency and allocative-efficiency which makes it possible to construct a binary opposition of states *versus* markets. Moreover, with the enhanced mobility options which globalisation is assumed to have delivered, allocative-efficiency has been elevated above distributive-efficiency as the only understanding of efficiency which can now credibly underpin government economic policy-making. It is from this assumption that we can see the emergence of the argument that globalisation involves a power transfer from state to market. For, the functions which markets can provide are thought to go with the grain of globalising pressures; whilst the functions which states can provide are thought to be diametrically opposed to it.

Set in such a context, then, it is possible to construct globalisation as a liberating force. The very existence of the state is conceived, *a priori*, as an implicit entry-barrier to the market arena. Governments are assumed to prevent a range of potential market actors from pursuing productive activities by institutionalising a series of constraints on the operation of market mechanisms. In this reading, states are able to effect power over markets whenever they successfully embed redistributive policies within the dominant mode of social regulations.

Of course, the processes of globalisation are thought to have changed fundamentally all this. To the extent that it may have been possible previously to experience a reality which saw markets as 'subordinate' to states, such a reality can no longer be accessed. The emergence of global markets in trade, production and, especially, finance has been sufficient to create a qualitatively new reality.

It is states which are now routinely assumed to 'lose out' to markets, as the increased number of exit options from the domestic economy which globalisation permits has limited the effectiveness of national state regulation. Given the previously 'landlocked' nature of national economies, the state used to be seen as a barrier to market entry per se. Now that globalisation has delivered an effectively borderless world, however, the state is no more than a political constraint *in one national context only*. Enhanced capital mobility allows productive activities to be undertaken in any spatial setting. Therefore, the state's concerns for distributive-efficiency are considered to be increasingly incompatible with its inability to intervene in the production process. In circumstances in which allocative-efficiency is not prioritised, domestic producers can be expected to undermine the fiscal base of redistributive policies simply by re-locating to complete the circuit of capital in another part of the global market.

Yet, such a conclusion is distorted, as it is shaped, by the conceptual environment within which it is framed. In the terms of the conventional wisdom, the 'inevitable' effects of globalisation are formulated within an analytical framework which assumes that states and markets are isolated aspects of social reality locked-in to a mutually antagonistic relationship. Within these cognitive parameters, although *only* within these cognitive parameters, globalising tendencies can indeed be made to appear to have sharpened such antagonisms in a manner which is detrimental to state capacity. However, there is no innate reason to suppose that the world of everyday experience will necessarily correspond to this conceptual world of 'states versus markets'. In fact, there are many good reasons for asserting that it will not. Suspend the initial assumption that states and markets are conceptually distinct, and the 'inevitabilities' of globalisation are immediately rendered problematic. Indeed, move beyond mere assumption into the world of empirical evidence, and such 'inevitabilities' are shown to be entirely groundless. Contrary to the conventional wisdom, there is no evidence to suggest that markets have emerged spontaneously at any time during their history (for the classic intervention into the political economy debate along these lines, see Polanyi 1957). As such, we should not even expect there to be evidence that, because markets emerge spontaneously, states are superfluous to an understanding of global market formation (amongst others, see Watson 1999b).

National states, whether acting on their own or in concert, are essential to economic expansion and industrial transformation (see Weiss & Hobson 1995: 1-13). This is as true today as it has ever been. The processes of capitalist restructuring associated with globalisation acquire their dynamic tendencies only insofar as domestic actors are able to shape national social structures of accumulation in a manner which is conducive to their development. Of course, the extent to which the creation of new 'supraterritorial' spatial circuits of capital has actually taken place is a matter of some conjecture. Nonetheless, whatever the extent, it is clear that such circuits have been *created*, rather than having merely *emerged*. Moreover, the process of global market formation has been predominantly state-authored. Therefore, the continued reproduction of markets, irrespective of the degree to which they approximate *global* markets in practice, is conditional upon the continued reproduction of state power.

The terms of the globalisation debate must consequently be changed from the rather crude economism of the conventional wisdom. Put slightly differently, they must be abstracted from analytical perspectives grounded in the assumption of states versus markets. Globalising tendencies are *not* the crystallisation of a new market logic but are, in fact, contingent upon political dynamics. Globalisation has not 'emerged' through the natural workings of an autonomous sphere of pure market relations, but has been constructed as the result of an interactive relationship between states and markets. Both the causes and consequences of globalisation are mediated through politics, with the state being the primary site in which globalising market outcomes are both formed and resisted. As Christopher May suggests, the 'and' in states and markets is not "an either/or operator" (May 1998: 158), and little can be learnt about those effects which are commonly attributed to globalisation when it is treated as such.

The form taken by the state, and the functions which it is expected to fulfil for the process of market formation, are shaped fundamentally by the actions of state personnel (Kesselman 1992: 649). As previously argued, the rhetoric of state crisis which is so prominent in the public discourse of globalisation therefore should not point to any presumed generic obsolescence of the state. Instead, it should serve merely to highlight a conjunctural moment in which the state's internal mode of organisation is in the process of being overhauled from within.

This process can be characterised in one of two ways. The first breaks with the conventional wisdom of globalisation only to a matter of degrees. For, it suggests that the character of the state is being re-defined politically as state actors themselves seek to create an external economic environment suited to the task of fostering social relations of production appropriate to the latest phase of capitalist restructuring. In this reading, whilst the state has not disappeared in the way it does in the crisis narrative of 'state versus market', nevertheless it is still perceived in merely reactive terms. In particular, it is assumed to be reacting to the emergence of a new, equilibrating, exogenous economic force.

Such a perspective is clearly limited. It may help to explain one or two puzzles within the existing literature. But, it can do no more than that. At most, it provides a basis for arguing that although the creation of a supranational network of market relations appears to have produced a context within which national states have lost at least some of their autonomy vis-à-vis other states, this does not necessarily translate into any moderation of state power in relation to civil society. Indeed, as Philip Cerny points out, the very fact that state officials have been able to act as the trigger for re-projecting the domestic capital relation onto an increasingly global scale is perhaps evidence of the continued *accretion* of state power (Cerny 1990: 201).

Whatever the merits of this counter-argument to the conventional wisdom, however, it remains wedded to the same initial assumption as the conventional wisdom: namely, that state actors are forced into a functional response to exogenous economic change.

Globalisation's 'variable geometries' may well be thought to correspond to the range of different political contexts within which such tendencies are fostered. Equally importantly, however, those tendencies are themselves treated fundamentally as given.

Set in this context of 'states *and* markets', research tends to be focused on the fact that not all states enjoy the same degree of authority over civil society. This is viewed as another way of saying that not all states can condition the experiences of everyday life to the same extent in accordance with globalising 'norms'. For any number of institutional, legal and cultural reasons, some states will be more favourably placed than others to actively re-shape existing social structures of accumulation in order to facilitate globalisation. The general thrust of this element of the literature is to argue that globalising tendencies have become most deeply embedded in those countries in which the state derives a latent degree of power over national civil society due to its central autonomy. Such circumstances are believed to allow state actors sufficient political room for manoeuvre to impose a policy structure which produces 'globalising' outcomes. Viewing globalisation through this perspective, it is perhaps no coincidence that, across otherwise comparable states, indices of trade openness have been shown to match closely indices of political centralisation (on which point, see Thompson 1997). In a similar vein, the dynamics of welfare retrenchment have been shown to be most pronounced in those political contexts in which there are no constitutional veto points (Stephens, Huber & Ray 1999: 180).

Yet, still there is a sense in which outcomes consistent with the globalisation hypothesis are being 'forced', and that they are being forced by economic globalisation itself. The state is still being treated as something of a passive recipient of globalising norms. Moreover, society is also being treated as a passive recipient of the state's own passive acceptance of such norms. It is apparent, then, that rethinking globalisation within the context of 'states *and* markets' does not necessarily lead to a more intrinsically politicised account of globalising processes than that which emerges from the context of 'states *versus* markets'.

An account of globalising tendencies which merely says that states matter is not, in itself, a political account. As a consequence, the analytical focus of 'states and markets' needs to be transcended every bit as much as that of 'states versus markets'. The very concept of 'the political' must refer to much more than merely the formal public arena in which resistance is both mobilised and demobilised to globalising norms, and in which the outcome of such resistance is made manifest. Hence, there are more questions to ask about the state's role in the production of globalising effects than the degree to which the state enjoys autonomy from civil society, and therefore the degree to which the state is able to withstand the mobilisation of resistance to globalisation. Rather, it is necessary that we view the concept of 'the political' as a process and not as an arena. In this way, it becomes possible to look not only at the *feasibility* of institutionalising globalising effects in a given context, but also at the way in which such effects are constructed as *desirable*.

Quite clearly, in circumstances in which the dominant form of political mobilisation is to programmes which are consistent with those that globalisation is said to necessitate, 'globalising outcomes' are likely to be apparent whether they are caused by actual globalising tendencies or not. In other words, it may be possible to observe the 'effects' of globalisation's political logic of no alternative *without globalisation actually being the cause of those effects*.[1] This means that it is necessary to look at political mobilisation as more than just a means through which the state can be activated to dampen down otherwise inexorable globalising tendencies. Indeed, it is necessary to make a complete break with the assumption that there is anything inexorable about globalisation at all. Even when we see superficial evidence that seems to confirm the globalisation hypothesis, it is possible that such evidence has been produced for reasons which have little to do with globalisation itself. My position is therefore a simple one: to transcend the rush to attribute causal status to global market-clearing dynamics for which there are, in any case, a less than convincing empirical argument.

'Globalising outcomes' may well currently be experienced in a manner which sustains the appearance of a 'multi-speed' globalisation process of 'variable geometries'. In addition, the state may well come into the explanation of why these 'variable geometries' are apparent. Yet, behind the theoretical abstraction of 'the state' lies a complex process of political mobilisation. The state adopts a certain trajectory at a given moment of time due to the dominant form of political mobilisation which defines the legitimate uses of state

[1] To return to a theme first outlined in the introductory chapter, even if globalisation serves as an adequate *description* of the world in which we live, this does not also automatically mean that globalisation is an adequate *explanation* of the way in which the world came to be like this.

power. As such, globalising tendencies which are mediated through the state are also dependent on the dominant form of political mobilisation existing in the environment in which they are being introduced. Indeed, as I have stressed before, 'globalising outcomes' can even be produced in the absence of actual globalising tendencies, so long as the dominant form of political mobilisation is to encourage outcomes similar to those which globalisation is argued to deliver. If it is true, then, that globalisation cannot adequately be explained without an appreciation of the state, it is equally true that neither can adequately be explained without an appreciation of the dominant forms of political mobilisation which underpin both.

In order to develop such a position at greater length, it is clearly important to explore the relationship between state power and political mobilisation in more detail. It is to this task that I turn in the following section.

Inserting the State into the Globalisation Debate

In attempting to introduce the state as a more integral element of our understanding of globalising tendencies, one clarification needs to be outlined immediately. The very idea of '*the* state' implies a unified actor. In practice, however, real states fail to perform in a manner consistent with such an image. Indeed, 'the state' exists only as a theoretical abstraction. As such, there can never be a grand narrative of the state which is able to tell us how all states will act in all circumstances. Put somewhat crudely, there is always too much politics going on at the level of state institutions for such a narrative to make any real sense.

Thus, any assertion about the nature of the state which takes the form of a simple generalisation must be treated more as propositional than definitional. As Bob Jessop argues, any overly parsimonious conceptual claims are better interpreted "metaphorically ... than literally" (Jessop 1978: 56). At the heart of such a claim lies the prior assumption that both the form and the functions of the state are conditioned by the prevailing balance of social forces. This balance itself is produced in a non-deterministic manner. For, it depends crucially upon the particular social setting in which the process of determination takes place. As a result, the state is contextually-specific, both in historical and geographical terms (Smith & Moore 1981: 92). Consequently, general theoretical understandings of the state need to be buttressed by empirical accounts which go beyond the merely abstract to capture their particular manifestations in concrete time and space.

This is a highly significant claim for the arguments advanced in this thesis. I argued in an earlier section that the perception of 'rationality crisis' built into the dominant discourse of globalisation is based on the assertion of a false dichotomy between state and market. Moreover, in light of this latter claim, this would not appear to be all. In addition, it is also the case that 'the state' which appears in this false dichotomy tends itself to have a false systemic logic attributed to it. Thus, the conventional wisdom's assumption of globalisation's logic of no alternative would seem to be doubly untenable.

It would therefore seem *most unlikely* that the state would ever act as if guided by the same inexorable inner logic in all instances. However, if this suggests that a flat rejection of the conventional wisdom is in order on conceptual grounds, the real world of political practice is rather more complicated than a rejection of this nature would seem to allow. We can safely deny the possibility that the state is always directed towards the satisfaction of a universal interest in the way that it *could* be, *were* it to be a unified actor embodying a single systemic logic. But this is not necessarily to say that we can discount a rather different possibility. In particular, the state seems to exist within an environment whose political and discursive properties make it appear that the state *is* continually at the behest of a number of functional imperatives. It is important to emphasise that these are not functional imperatives per se, *irrespective of the extent to which they are constructed as such in public policy-making debates*. As a consequence, it is clear that, if the state can be said in any way to follow a general 'law of motion', then this is not determined exogenously. If the appearance of a 'natural' and therefore immutable trajectory does exist, then this is generated internally, within the structures of state institutions, through decisive political interventions which serve to close off alternative paths of development.

In this vein, for example, the reproduction of the capital relation has *assumed* the status of functional imperative for the modern state, rather than actually *being* one per se. This has happened primarily through the way in which those working in and through the state have defined it as such, and have led successful political mobilisation to such a definition. Therefore, capitalist reproduction appears to be more consciously directed than any argument about its 'organic' nature would be able to allow. This applies not only to capitalist reproduction in general, but also to the specific reproduction of a globalising capitalism. Politically motivated social subjects are integral to every stage of the process of reproduction. Moreover, it is the conscious intervention of such actors which imbue this process with its specific qualities in any given context.

The reproduction functions which the state is conditioned to mediate are therefore historically contingent. This in turn suggests that systemic imperatives will be understood in a variety of different ways in a variety of different contexts, depending on the dominant ideological mediation of the 'needs' of the economic system at particular moments of time and space. Thus, in the absence of the total de-politicisation of the state's ideological terrain, it is to be expected that its 'functional imperatives' are not in fact functional at all, but remain open to political contestation. The precise definition of the tasks which the state is adapted to perform is accordingly a product of the on-going, and always temporary, resolution of political struggle.

As such, it is clear that a theoretical exposition of the state's perceived functional imperatives can only ever provide a context for subsequent empirical analysis, rather than an explanation of the specific details of policy outcomes. It is in this spirit that the following pages must be read. The aim here is merely to demonstrate the theoretical possibility that 'globalising outcomes' have been created through the agency of the state, whether they have been the result of actual processes of global market formation or not. This will be achieved by developing an abstract account of the manner in which the state pursues the social reproduction of capitalist economic relations in general. I will focus in particular on the way in which a decisive shift in the dominant ideological articulation of the 'needs' of the capitalist economy can lead to a similarly decisively shift in the political practice of economic policy-making.

Such a focus raises a potentially intriguing possibility. For, it confirms the suggestion made in previous sections that there is no necessary correspondence between 'globalising outcomes' and the process of global market formation. In other words, 'globalising outcomes' can be made manifest in the absence of truly global market relations. All that would appear to be required is that governments respond to a dominant ideological mediation of 'systemic imperatives' which is consistent with that to be found in the conventional wisdom of globalisation for 'globalising outcomes' to be experienced as real. Of course, there are many reasons why a government would choose to adopt such a position on the question of 'systemic imperatives'. Significantly, there are more reasons which have absolutely nothing to do with either globalisation or perceived globalisation than there are those which can be directly attributed to one of these influences.

From this observation, it would seem clear that there is more to explain in terms of the link between globalisation and the state than merely how different forms of 'state power' produce different globalising outcomes. Most significantly, it is necessary to transcend all assumptions that 'state power' is itself a given. Rather, we have to ask questions about how ‘state power’ is produced before we can begin to ask questions about the *impact* of ‘state power’ on the globalisation process.

It is only then that it may become possible to view the economy - whether in local, national, international or global forms - as a site of political struggle (on which point see, for instance, Daly 1991: 100). Thus, there is no sense in which the language of necessity which animates the reproduction of the capital relation - again, whether locally, nationally, internationally or globally - is anything other than a *political construction*. Any analysis of globalisation must therefore be an analysis of political dynamics.

Let me pursue the implications of these three claims in more detail. Perhaps most strikingly, they suggest that it would be a mistake to think in terms of any ‘inevitable’ equilibrium reproduction of capitalism. At one level of abstraction, we may be able to point to the way in which the state is enlisted to offset the contradictory status of the capital relation within a ‘pure’ market economy. Bringing the analysis down a number of levels of abstraction, however, it becomes clear that the *exact* way in which that latent contradiction is experienced is contextually specific. As Peter Hall notes, “the success of an economic strategy depends as much on the organisation of society as on the organisation of the state” (Hall 1989: 380).

Indeed, it may even be possible to stretch Hall’s argument one stage further, to suggest that the success of an economic strategy depends *more* on the organisation of society than on the organisation of the state. For, the exercise of state power is itself a reflection of the dominant form of political mobilisation within society. In circumstances in which 'state power' can be identified as the cause of governments acting in a manner consistent with the globalisation hypothesis, we also need to identify those forms of prior political mobilisation within society which have conditioned 'state power' to perform this task.

In terms of economic policy, political mobilisation revolves crucially around the construction of a dominant notion of 'economic necessity'. At all times, of course, we must be careful to distinguish between policies which are *actual* necessities and policies which *appear* to be necessary only within the context of the end to which they are a means. This is easily achieved. For, there is no such thing as an *actual* necessity - that is, a necessity which can be abstracted from the social or economic context in which it is located (see Amariglio 1990). No discursive representation of 'economic necessity' can ever exhaust the range of possible meanings within the economy. Consequently, no economic discourse comes to dominate popular political debates because it describes a systemic imperative universal to economic development. Rather, a dominant economic discourse serves to circumscribe the parameters of that considered politically possible due to the way in which it expresses the political interests of those who currently hold the balance of power within society. The appeal to a systemic imperative may act as a source of legitimation for those determined to use the balance of power in their own interests; yet this is all it is. 'Systemic imperatives' are never real categories per se.

What does this mean in relation to globalisation and, in particular, in relation to the question of globalisation's political logic of no alternative? It may well be that the link between globalisation and its political logic of no alternative is sustained through the appeal to 'economic necessity'. However, it is equally clear that such a link does not exist outside of the confines of that appeal. To problematise the very notion of 'economic necessity' as in the manner above is, therefore, to destroy the basis on which the assumption of globalising 'necessities' is grounded.

To put this much more simply, if economic policy-making in any one country can be seen to be increasingly driven by neo-liberal tendencies, then there is no reason to enlist globalisation as the cause of these developments, even though globalisation is commonly assumed to come complete with a logic of 'neo-liberal necessity'. Neo-liberal tendencies must instead be viewed through the perspective of a dominant ideological mediation of the 'needs' of that country's economy which constructs neo-liberal policies as being in some sense correct. The notion of globalisation may well be used in order to legitimate the image of neo-liberalism having been rendered 'necessarily' correct. Yet, this only holds in those circumstances in which prior political mobilisation has taken place to enforce that understanding of 'necessity' and, more importantly, to establish as a societal end the sort of political goal to which that necessity becomes a means.

In later chapters, I attempt to put some empirical flesh on these theoretical bones. This I do by looking at the British case and, in particular, the way in which the Blair Government has come to define the 'needs' of the British economy. It is the way in which that government has mobilised public opinion to the view that "the global market, in the end, is a good thing for us ... [we should] not try to resist it or ward it off or say it shouldn't exist" (Tony Blair, interview with John Humphrys, cited in Held 1998: 26) which has been the most important reason that New Labour has acted in a manner consistent with the globalisation hypothesis, I argue, rather than the faceless forces of globalisation per se. It is the Labour leadership's insistence that "we want people to be able to move money very, very quickly" (ibid) which has created the image of 'economic necessity' to which government policy is a response, rather than any *actual* necessity associated with capital flight.

The sense of 'necessity' to which the Labour Government responds is itself a reflection of Blairite concerns for where the balance of power currently resides within British society. This in turn is assumed to place qualitative limits on the scope of feasible political mobilisation (see Coates 2000). Whilst the usual notion of causality in this debate links such limits solely to globalisation and its political logic of no alternative, in my reading of events this serves to hide more causal processes than it reveals. Given that there is, in any case, no unambiguous evidence that globalisation is itself a reality, evidence for the reality of its political logic of no alternative must also be extremely questionable. I suggest that both these categories - both globalisation and its political 'necessities' - must themselves be traced back one stage further to show how they relate to the existing balance of political forces within society. In other words, there are quite clearly domestic political conditions underpinning the way in which international economic trends are experienced in a contextually-specific manner in practice. It is for this reason that I place such emphasis on 'state power'. For, it is the exercise of 'state power' which shapes the domestic political conditions of international economic trends. In addition, and perhaps even more importantly, ‘state power’ itself is a manifestation of the uneven distribution of power within society.

The State as a Factor of Cohesion in the Social Formation

Just as it is clear that ‘the state’ exists only as a theoretical abstraction, so it is with ‘society’. The state has no fundamental unity; neither has society. However, each can be made to look as if it is reacting to a unified logic under the influence of decisive political interventions. Set within such a context, the exercise of state power tends to take place with a clearly articulated goal in mind. As a consequence, state power appears to be applied in a coherent manner to inscribe a similar sense of coherency into the general orientation of society. Through the exercise of state power, the state may be able to direct a diverse range of social groupings to act in a manner consistent with the image of a unified society. Of course, this is an ideal-typical scenario which is likely to be approximated most infrequently in real life. Moreover, in the absence of successful political mobilisation to the ‘necessity’ of the initial societal goal, no amount of state power would seem to be sufficient to orientate the whole of society to act as a unified whole.

Nevertheless, despite this likelihood of failure, it may still be useful to follow the Poulantzian tradition and view the state as a factor of social cohesion (see, in particular, Poulantzas 1978: 136). In abstract terms, then, state power tends to be condensed at the level of social formation. In periods of 'normal politics', it is typically used to direct the organisation of society towards the successful displacement of tendencies which are seen as contradictory, where the notion of contradiction is itself animated by the dominant discourse of 'economic necessity' to which social relations are oriented at that moment of time. With reference to the British case at least, it is now possible to state with every justification that the political practice of globalisation is currently constituted very much as 'normal politics'. Thus, it is necessary to view the implicit appeal to 'necessity' contained within Tony Blair's assertion that "we want people to be able to move money very, very quickly" (cited in Held 1998: 26) as a means of trying to displace potential political mobilisation aimed at resisting both globalisation and its political logic of no alternative.

In Britain, economic practice consistent with the globalisation hypothesis now represents the status quo. The social structure of accumulation confirmed as 'correct' by that hypothesis may prove, like all others before it, to have distinct temporal limits to its effectiveness (on which general point, see Block 1987: 178). For, such limits befit any social relation in need of constant reproduction through the contingent processes of political struggle. That said, there will always be groups whose political interests will be served through the maintenance of the status quo, even in circumstances in which it proves to be increasingly dysfunctional. Status quos do not become status quos in the first place should they fail to align the rest of society to the particular interests of those groups who hold the balance of political power within that society.

It is here that the state tends to be called upon to act as a buffer zone to widen the parameters within which it is possible to reproduce the social relations of production in their current form, certainly when that form is showing signs of becoming increasingly dysfunctional. This is the concept of the state which I will be appealing to in future chapters in an attempt to shed more light on the globalisation process as it is currently being played out in Britain. My argument will take the following form:

1] I will continue to reject the dominant orientation in the existing literature which suggests that globalisation (even to the extremely limited extent to which we currently see global markets being formed in practice) represents the by-passing of the state and that, as such, all concepts of the state are superfluous to explanations of globalisation.

2] I will resist the temptation to replace one totalising explanation of globalisation with another by simply asserting that the state somehow 'causes' globalisation.

3] Instead, I will base my analysis on the assumptions: i) that 'state power' is appropriated by those groups that have put themselves in a position where they are able to shape the dominant modes of political mobilisation existing within society; ii) that the particular form which that power takes at any given instant is itself a reflection of the dominant mode of political mobilisation within society; iii) that 'state power' is used to create a buffer zone to enable the expanded reproduction of the pre-existing social structure of accumulation, even in circumstances in which new forms of political mobilisation point to the erosion of consent to that expanded reproduction; and iv) that the current position in Britain is one in which a 'buffer zone effect' is in operation, where state power is being utilised in order to produce outcomes which may well be consistent with the globalisation hypothesis, but which actually reflect attempts to reproduce an established social structure of accumulation in a political environment of fragmenting consent.

Thus, whilst the image of globalising 'necessities' may well be appealed to in public discourse to explain why state power is currently being used in the way it is, I suggest that this is nothing more than legitimating rhetoric. Indeed, as the thesis unfolds, I go as far as to turn one of the most ingrained elements of the conventional wisdom almost completely on its head. Rather than arguing that any concept of the state is superfluous to the explanation of globalisation, I suggest that most concepts of globalisation are actually superfluous to the explanation of the dominant use of state power in contemporary Britain. Behind the façade of arguments about the radically disempowered nature of the state in an era of globalisation, what we see instead is the state being inserted into the terms on which the capital relation is experienced in Britain. The use of state power in this instance is designed to act as some sort of substitute for continued consent to the further restructuring of British labour markets along ever more flexible, and therefore ever more coercive, lines.

Built into this notion of 'buffer zone effects' is an appeal to a Habermasian 'logic of crisis displacement'. As we have seen in the previous chapter, in Habermas' original formulation, the state is assumed routinely to internalise rationality deficits emerging in the economic system as a means of sheltering that system from the political repercussions of a critical juncture in its development (Habermas 1976). Here, Habermas would seem to be accepting the Poulantzian view that state power resides at the level of social formation. In particular, he argues that it resides in the ability to organise social relations in moments of systemic contradiction in ways which pose least threat to the reproduction of the status quo.

Whilst it is clearly possible to read highly functionalist notions of causality into this account, it is important not to throw the Habermasian baby out with the functionalist bathwater. 'Crisis displacement' dynamics *do* represent the intended use of state power in many instances. That said, it is still essential that we set such dynamics within a context in which we understand that state power is itself a reflection of prior political mobilisation. There is no sense in which states *automatically* act to displace the potential for crisis tendencies to emerge. Rather, if states can be seen to be acting in such a way, this is only because there has been successful prior political mobilisation to the idea that it is 'necessary' for contemporary crisis tendencies to be displaced into the state system. Remove the successful political mobilisation to the 'necessity' of preserving the status quo, and the very essence of a *logic* of crisis displacement is dissolved.

What implications does such a discussion have for the analysis of globalisation? Put simply, it would seem to have a complex set of implications which would appear to be difficult to reconcile into any straightforward answer. Much of that complexity stems from the fact that the very concept of globalisation has taken on a bewildering array of meanings within the existing academic literature (see Higgott 1999: 2). Different specifications of globalisation - whether explicitly or, more likely, implicitly articulated - lead to different understandings of 'crisis displacement' dynamics.

On the one hand, we can see within the existing literature a line of argument which suggests that the state is being called upon to act decisively because it is globalisation itself which is in crisis (for a range of rather different accounts of this argument, see, for instance, Gill 1992; Magdoff 1992; Albo 1994; Gordon 1994; Bryan 1995; Gough 1996; Greider 1997; Martin & Schumann 1997; Rodrik 1997). In other words, this is a crisis *of* globalisation. Globalising tendencies are here seen to be so detrimental to the social conditions for their own reproduction that a self-destructive system would be created were it left unregulated. Hence, the state is enlisted to ensure that sufficient coercion is present within the system to direct society into providing the social conditions for the reproduction of society, whether there is consent for that reproduction or not.

On the other hand, the dominant line of argument within the existing literature suggests that the state is being called upon to act decisively to correct critical tendencies which emerge in the wake of a globalisation process which itself is self-perpetuating (for a range of rather different accounts of this argument, see, for instance, Scharpf 1991; Laxer 1993; Ross 1995; Ruigrok & van Tulder 1995; Taylor, Watts & Johnston 1995; Mittelman 1996; Stephens 1996; Thrift 1996; Wiseman 1996; Seyf 1997; Standing 1997; Streeck 1997; Armstrong 1998; Garrett 1998; Hirst & Thompson 1999). In other words, this is a crisis *caused* by globalising dynamics which themselves display no outward signs of being in crisis. Here, the production of new social conditions through globalisation is thought to be the most significant factor explaining the emergence of critical tendencies within society. Certainly, this is thought to be more important than the ability to reproduce the social conditions which are necessary for globalising dynamics to become embedded in the first place. As a result, the state is seen in this instance to be required to offset crises created by the consequences of globalisation rather than by its causes.

However, I wish to take issue with both of these positions. I wish to suggest that, to the extent that it is possible to view current state interventions through the perspective of 'crisis displacement', the link between globalising tendencies and critical moments is not a direct causal link as both of these positions seem to imply. Rather, I argue that any sense of criticality is located within the social structure of accumulation which was institutionalised in the aftermath of the collapse of the post-war regime of 'embedded liberalism' (on which, see Ruggie 1995; Garrett 1999). Clearly, different countries experienced both the 'embedded liberal compromise' and its collapse in different ways. Equally clearly, this has served to sustain a range of different social structures of accumulation in the post-collapse phase, and has also created a range of different crisis tendencies within such a structure. But what is also clear is that globalising dynamics have little by way of direct causal influence on any of these developments.

Indeed, I wish to argue that the conscious assimilation of globalising tendencies has been directed at creating a 'buffer zone' capable of offsetting popular political pressure to reconstitute the existing social structure of accumulation. This is not to say that globalisation *resolves* the contradictions of the neo-liberal accumulation regime which succeeded the embedded liberal compromise. It is merely to suggest that enabling globalisation in the present has been seen as one means of displacing the contradictions of neo-liberalism until some time in the future.

In fact, my claim is even more modest. In the absence of more extensive comparative data, I am only really able to argue that the attempted insertion of a globalising dynamic into the *British* economy is consistent with the account I have offered in the preceding paragraphs. In Britain at least, we have witnessed successful political mobilisation to the use of state power to create a 'buffer zone' *through globalisation* for the continued reproduction of a neo-liberal social structure of accumulation.

For example, it would appear that the Labour Party moved to accept the policy logic of neo-liberal economic discourse at the very moment that the ability of that discourse to generate active consent for its particular understanding of economic 'necessity' began to be openly disputed. New Labour's accounts of the party's 'modernisation' may well highlight the influence of electoral constraints which were perceived to have become so strong that there was simply no political space remaining to argue for anything but a fundamentally neo-liberal conception of economic 'necessity'. To repeat, however, this seems to have occurred just as the link between neo-liberalism and a whole host of adverse social trends became increasingly articulated in public debates (for the most famous example of such an articulation, see Hutton 1996). As such, New Labour's electoral strategy and the economic foundations of that strategy became increasingly contradictory. Active consent for further institutionalising the existing balance of social forces failed to be matched by active consent for the further neo-liberal restructuring which would make such a process possible.

Faced by an environment in which it had a diminishing means of mobilising sufficient numbers to further neo-liberal reform, Labour's leaders chose not to seek active consent for its 'modernised' macroeconomics so much as to deactivate potential opposition to it. It is here that we see most vividly the appropriation of state power to depoliticise, through the creation of globalising dynamics, the reproduction of a social structure of accumulation which was being identified in public debates as increasingly dysfunctional. Insofar as the neo-liberalising effects of globalisation were constructed through the usual language of inevitability, the image of neo-liberal 'necessity' which was proving ever more susceptible to public dispute had an element of that 'necessity' restored to it.

Note that there are two separate processes at work here. The first relates to tendential political mobilisation within society, which threatened to undermine the continued legitimacy of an accumulation project cast in the image of neo-liberalism. The second relates to a 'buffer zone effect' created through the use of state power, which served to downplay the need for popular legitimacy for the reproduction of that project. Globalisation enters this story only as the means through which such reproduction is able to take place, whether it is accompanied by supportive political mobilisation or not. Claims about globalisation effectively remove the need for arguments about 'neo-liberal necessity' to be won within society.[2] Indeed, under the perceived influence of such tendencies, the debate about economic 'necessity' in general has been turned from a political to a merely technical set of questions. The dominant trend is clear. No longer should researchers be looking at the way in which governments seek legitimacy within society by asking about the sort of economic policy which society at large would like to see being introduced. Instead, I suggest that it is more important that we begin to look at the way in which governments seem able to do without such legitimacy, simply by 'educating' their populations about the limits of feasible economic policy-making in an era of globalisation.

Note also, then, the difference between this argument and that of the conventional wisdom of globalisation. Under the terms of the conventional wisdom, globalising tendencies have emerged in a form which renders the state problematic at the national level. However, I argue that state power has been used to create globalising tendencies which allow for economic policies to be imposed without the need for active consent to those policies being mobilised within society. Far from the state being by-passed by globalisation, I suggest that it is popular political mobilisation to the continued reproduction of state power *in its current form* which is being increasingly by-passed. Thus, globalisation can be seen to act as some sort of external enforcement mechanism in those circumstances in which the status quo is already distinctively neo-liberal. Let us

[2] It is noticeable that neither the Thatcher nor the Major Governments engaged as conspicuously with the idea of globalisation's political logic of 'neo-liberal necessity' as has the Blair Government. This may be explained by the fact that unlike its predecessors, the Blair Government is not overtly comfortable with making the ideological case for 'neo-liberal necessity'. Thus, it has opted instead to appropriate disursive practices which serve to displace the need for such a public show of support for the political ideology which

now return for the final time in this chapter to the British case, to see how this suggestion fits with the institutionalisation of globalising tendencies in that country.

No account of the globalisation experience in Britain is complete unless it is set within the wider context of the Labour Party's 'modernisation' and, in particular, within the context of the electoral conditions of that 'modernisation'. For, the recent trajectory of British politics has been dominated by the Labour Party's attempts to renew itself electorally, and an important element of that renewal has taken place through the party's active engagement with both the dominant discourse and political practice of globalisation. Indeed, within British politics, no party has engaged with globalising 'necessities' anywhere near as actively as has New Labour.

The attractions of such a stance for Labour's current leaders are clear. The party simultaneously came to perceive a number of key objectives which had a shared end of electoral rejuvenation, but whose means to that end appeared to be mutually contradictory.

i) The party's leaders convinced themselves that they had to broaden the party's electoral base by appealing to a new range of voters. Significantly, these were voters whose material interests were assumed to coincide with many aspects of the existing social structure of accumulation (especially on matters of fiscal policy).

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nevertheless underpins its strictly orthodox macroeconomic policy. For its Conservative predecessors,

ii) At the same time, they had to contend with popular sentiment animated through the media that wholesale, and maybe even paradigmatic, change was now necessary in those areas in which they thought that electoral advantage was to be gained from advocating the status quo.

iii) The party's leaders also had to quell internal party dissent to any programme that refused to overturn every aspect of the Thatcherite legacy in order to confirm to the electorate that it was now a party 'fit to govern'. In short, the task was huge. Not only did the party's leaders set out to uphold key aspects of a social order which was already beginning to be identified as contradictory within public discourse. This was also a social order which large numbers of the leaders' own party would *always* argue was contradictory irrespective of whether the general orientation of public discourse was to agree with that line or not.

So huge was this task, and so mutually incoherent were its individual elements, that it is difficult to see how it could have been completed successfully purely within the context of active consent. Quite clearly, it was not unreasonable for Labour's leaders to have expected that they would be able to mobilise popular support for the fiscal status quo from certain sections of the electorate. Indeed, as is now well known following the publication of Philip Gould's book on Labour's 'modernisation' (Gould 1999), the party deliberately targeted those constituencies who had declared an interest in voting Labour *only* in the event of the party having already ruled out progressive tax reform (see also

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however, the case for neo-liberalism was purely a matter of ideology, and could be presented as such.

Ellison 1997; Hay 1999; Seyd 1998). Equally, however, that same reluctance to reactivate fiscal policy ran counter to important currents within both party and public discourse (see, for instance, Hutton 1996; Leys 1996; Kennedy 1998). As a consequence, New Labour's leaders required a more coercive means to prevent more widespread popular mobilisation against its arguments for reproducing the existing social structure of accumulation. This it found through appeal to the conditioning effects of exogenous international economic forces. Globalising pressures were thus constructed as denying the very possibility of successful political mobilisation to anything other than the status quo. Put simply, globalisation was presented as having robbed all other political alternatives, irrespective of how well-intentioned they were, of their feasibility.

Through enlisting the image of inexorable economic forces, then, the Labour Party found itself able to appeal to a broader coalition of constituencies than it would otherwise have been able to do. For those who were committed to preserving the status quo in any case, arguments about the conditioning effects of globalisation were effectively superfluous. The interests of these constituencies lay in reproducing in its current form both the existing social structure of accumulation and also, of course, the particular essence of state power which makes the reproduction of such a structure possible in the first place. Active consent for these outcomes could have been expected from these constituencies with or without arguments about globalisation. By contrast, for those whose commitment to the status quo was not assured, appeals to the image of globalisation played a much more important role. The way in which such appeals were accompanied by further claims about the futility of dissent to the existing social structure of accumulation were particularly significant. Active consent to the status quo has proved to be increasingly unimportant in circumstances in which external events are suggested to have confirmed that the status quo is now, in any case, something of a functional 'imperative'.

Conclusion

As the above example clearly demonstrates, as soon as we move beyond the suggestion that globalisation comes complete with its own spontaneous order, we return to arguments about the constructed nature of 'economic necessity'. Globalising outcomes are only likely to be apparent in those contexts in which they are consistent with the dominant understanding of 'economic necessity'. In circumstances in which they are at odds, we will be less likely to see such outcomes. Hence, we must always leave open the possibility that there will be counter-tendencies *against* globalisation, as well as tendencies towards it.

Of course, there can be many reasons why there might be political mobilisation to a conception of 'economic necessity' which produces outcomes consistent with the globalisation hypothesis. Significantly, however, all of these reasons are sufficiently contingent upon domestic political dynamics that we can dismiss the idea that there is any external logic to globalisation. In the British case, for example, we have seen that it would be a mistake to try to disentangle the politics of globalisation as practised by the Blair government from the electoral concerns which drove the Labour Party's 'modernisation' more generally. From this one illustration alone, it becomes clear that there is little to gain from assuming that international economic restructuring operates to its own 'natural' rhythm. Without an acknowledgement of the domestic political conditions of international economic restructuring, much of that restructuring is destined to remain unexplained.

Set within the context of the more general arguments of this chapter, this single illustration also shows why it is necessary to move beyond a theoretical framework of 'states versus markets'. In addition, I have also argued that this is not automatically to countenance an alternative framework of 'states and markets'. Such a framework may well be an improvement on one which views the two categories as autonomous aspects of social reality. Yet, there is no guarantee that such a framework allows us to interrogate fully the domestic political conditions of international economic restructuring. What we need is a framework which is capable of locating both states and markets in concrete historical time, thereby enabling us to view the specific social relations which condition the form that both the state and the market take at any given moment. If we choose to overlook those social relations which are so important to the way in which states and markets *form*, then we limit the things that we are able to say about the way in which states and markets *interact*. As globalising outcomes are one manifestation of that interaction, any explanation of globalisation which fails to take account of the domestic social conditions of its existence is rendered necessarily incomplete.

CHAPTER FOUR:

THE MATERIAL AND DISCURSIVE CONDITIONS FOR EXPERIENCING 'GLOBALISING OUTCOMES'

Through the introduction of 'society' into the analysis of globalising trends, it is clear that there is little to be understood about globalisation when such tendencies are set solely within the framework of economistic explanations. The economy acquires its current form *because* of wider political mobilisation within society. The residual economic determinism of the conventional wisdom consequently obscures more than it reveals in terms of causal explanations of why certain communities might be experiencing the world in a manner consistent with the assumption of globalisation.

Let me issue a word of caution at this stage. To insist on the necessity of moving beyond economistic accounts of globalising outcomes is *not* to suggest that the economy becomes in any sense irrelevant to the experience of such outcomes. I have argued that there are no grounds to claim that the form of the economic base has a determining influence on the functions of the political superstructure. Thus, to the extent that we must always leave open the possibility of successful political mobilisation to counter-tendencies *against* globalisation, there can be no innate logic to the globalisation experience. Equally, however, this is not to claim that the particular essence of the economy in a given environment will have anything other than an important conditioning effect on political outcomes within that environment. Indeed, as Leonardo Paggi notes, following Gramsci, "politics becomes permanent action and gives birth to permanent organisations *precisely insofar as it identifies with economics*" (Paggi 1979: 141, emphases added; see also Gramsci 1971: 139-40). In other words, the manner in which the economy is organised may in some circumstances facilitate successful political mobilisation against globalisation, whilst in others it may facilitate successful political mobilisation *to* globalisation. Whether we see mobilisation to or against globalisation is likely to depend on the result of prior political struggles within society over the dominant understanding of 'economic necessity'.

In general, then, I suggest that the experience of outcomes consistent with the globalisation hypothesis can be traced to both the material and the discursive context in which that experience takes place. Certain economic environments will be more conducive to embedding globalising trends than others. The economy therefore acts as a material anchor making possible mobilisation to globalising outcomes in some instances, and resistance to them in others. At the same time, certain political environments will be more conducive to embedding globalising trends than others. Dominant political norms therefore act as a discursive anchor making possible mobilisation to globalising outcomes in some instances, and resistance to them in others. These are issues which I explore in turn in this chapter.

Liberal Market Economies and the Tendency Towards Globalisation

As the analysis has unfolded over the opening chapters, the need to place the experience of globalising tendencies within specific social and political contexts has become increasingly obvious. Help may well be at hand in this respect, thanks to the growing influence within political economy scholarship of the comparative capitalisms literature. This literature has developed with the sole aim of dispelling assumptions that the capital relation bears a single identity across the range of advanced industrial economies. Thus, through sustained empirical comparison, it has been shown that there is no single systemic logic of capitalist development operating contemporaneously throughout the world.

At the same time, however, this literature has also tended to suggest that there are sufficient similarities between certain groupings of national capitalisms to be able to talk tentatively about a plurality of sub-systemic logics, albeit only ever in purely heuristic terms. For example, the most common typology of this nature contrasts liberal market economies with co-ordinated market economies. Britain and the United States are typically assumed to be the closest real-life approximations to the former model; whilst the latter is assumed to split into a distinctive West European variant and an equally distinctive East Asian variant (see, variously Zysman 1983; Goldthorpe 1984; Streeck 1991; Scharpf 1991; Albert 1993; Cerny 1993; Sjöstrand 1993; Berger & Dore 1996; Kester 1996; Porter 1996; Preston 1998; Coates 1999; Kitschelt et al 1999).

At face value, there would seem to be much to gain from adopting the comparative capitalisms framework in order to shed light on those aspects of globalisation which the conventional wisdom keeps hidden from view. It may well be that we eventually feel the need to dismiss the claims of the comparative capitalisms literature. In particular, its identification of clear clusterings of national capitalisms may serve to draw attention away from significant political differences *within* those clusterings; thus, merely replacing the systemic economic logic of the conventional wisdom with a series of sub-systemic logics. If we are to accept the argument that the experience of globalisation is conditional upon contingent political dynamics, then it is not enough merely to assume that we will witness a number of internally-consistent 'regime' responses to external economic pressures. In other words, we must be sensitive to the possibility that there may be very different forms of political mobilisation around the issue of globalisation *within* a distinct clustering of national capitalisms. Only then will we be able to theorise the experience of globalisation in truly contingent terms. Just because the institutional framework in which globalising tendencies are being introduced appears to be similar in two different cases is itself no guarantee that globalising outcomes will be experienced in the same way in two such cases. Set within the context of two countries in which society is mobilised to very different understandings of 'economic necessity', no amount of institutional similarity is likely to be sufficient to guarantee a similar experience of globalisation.

Of course, this is a question which can only be resolved at the empirical rather than the theoretical level. Irrespective of how accurate the above warnings may eventually prove to be under empirical investigation, it would be premature to dismiss the potential utility of the comparative capitalisms theory before that theory is explored. It is sufficient to note at this stage that the comparative capitalisms framework cannot be expected to offer an explanation of globalising outcomes per se. Rather, it is limited to providing a theoretical context for subsequent empirical explanation at a level of analysis which is more sensitive to the contingent aspects of the globalisation experience.

Arguably the most striking aspect of the globalisation phenomenon has been the apparently global diffusion of *ideas about* globalisation (see Gill 1993: Hay & Marsh 1999). Even in countries where as recently as five years ago there was no direct translation even of the *word* 'globalisation' within public disourse, its Anglophone variant is now in common usage.[1] This is not to say that there has been a similar convergence in ideas about the necessary *response* to globalisation. Indeed, when viewed through a comparative capitalisms framework, the notion of convergent responses is almost explicitly ruled out. Within this literature, we are told to expect a number of 'regime' responses to globalisation, with similar national capitalisms mediating the demands that globalisation is assumed to make in a similar manner.

[1] I am indebted to my multi-lingual colleagues, Dan Wincott and Jonathan Hopkin, for this observation. Dan has enlightened me on the gradual introduction of the Anglophone variant of 'globalisation' into popular political discourse in France; Jonathan of a similar trend in Italy.

For instance, Peter Hall suggests that the institutional arrangements of liberal market economies makes them more directly amenable to the political practice of globalisation than their co-ordinated market counterparts (Hall 1998: 17). Written into such an assumption is an implicit notion of comparative institutional advantage. The institutions which make liberal market capitalism possible are also assumed to make liberal market economies 'better placed' to accept the internal restructuring which globalising outcomes require. By the same token, the institutional arrangements which typically govern co-ordinated market economies are thought to throw up more potential points of resistance to globalising 'imperatives'. With a tradition of extensive social protection designed to ensure that basic market conflicts are attenuated through political intervention (see Martin & Ross 1998), they are assumed to be more likely to foster political counter-tendencies to the use of globalising norms to privilege market outcomes. In short, the comparative capitalisms literature tends to suggest two likely links: one between liberal market economies and potential political mobilisation *towards* the institutionalisation of globalising tendencies; and another between co-ordinated market economies and potential political mobilisation *against* the institutionalisation of globalising tendencies. Such links cannot be explored in detail, however, until we understand why some economies follow a liberal market trajectory whilst others follow a co-ordinated market trajectory.

According to David Soskice, the 'type' of capitalism that a country is likely to display depends primarily upon the way in which its business interests are organised (see Soskice 1990; 1991; 1994; see also Thelen 1994). Co-ordinated market economies tend to be distinguished by a high incidence of generalised exchange or resource pooling, which is administered through a hierarchical association of firms and business groupings. Access to factor inputs and technological developments is secured through collaborative arrangements amongst ostensibly competitive firms, mediated at the level of the state. Hence, individual firms typically become locked-in to collective institutional agreements which aim to enforce implicit contracts as a means of setting minimum standards for the rules of competitive engagement (Hall 1998: 4). By contrast, the state tends to be by-passed as a potential agent of business co-ordination in liberal market economies. Instead, spot market contracts are likely to take the place of institutionally-guaranteed resource procurements (Kitschelt et al 1999: 428).

In liberal market economies, then, accumulation decisions are seen as the prerogative of the private sector (see Coates 1999: 645). As a consequence, the state is likely to be implicated in economic management only to the extent that it is called upon, first, to create markets and, subsequently, to safeguard their liberal attributes from the encroachment of further political interventions aimed at rearticulating their underlying modus operandi. In other words, the dominant form of political mobilisation in such environments revolves around the use of state power to deactivate popular opposition to market regulation. Globalisation would therefore appear to represent little more than the formal extension of liberal market logic. Perhaps more accurately, those tendencies which together form the basis of what we know as ‘globalisation’ provide additional means through which the appeal to the ‘necessity’ of liberal market regulation becomes ever more unquestionable.

Liberal norms, for instance, are intrinsic to the operation of the most dynamic sectors of job creation in the global economy: those of low-paid work. Moreover, under the influence of the conventional wisdom of globalisation, resistance to corporate strategies aimed at maximising the use of low-wage labour is assumed to have become increasingly futile. The potential to flourish in such sectors requires for firms to be able to redeploy their capital across different production outlets with the minimum of time delay (see, for instance, Rubery 1989: 171). This may also involve the ability to move capital across space. The conventional wisdom of globalisation states quite unequivocally that this is something which all firms are now able to do at will. Thus, no one country has the incentive to prevent firms from driving down labour standards to the lowest common denominator, because firms will always have the chance of re-locating to another environment in which labour standards more closely approximate the liberal market norm. Globalisation is therefore thought to privilege a 'hire-and-fire' mode of labour market regulation.

Note, however, that globalisation itself does not need to be a reality for us to experience outcomes consistent with the globalisation hypothesis. Labour market effects which are now so frequently attributed to globalisation also dominated liberal market environments in the pre-globalisation era. Moreover, the increasing visibility of such effects in the current era may be less the result of globalisation than they are the result of the spread of liberalising norms.

Financial Liberalisation and the Increased Visibility of 'Globalising Outcomes'

The move towards financial market liberalisation has been especially important in this respect. Capital controls have progressively been withdrawn at the domestic level by governments anxious to comply with multilateral agreements activated through the OECD and the IMF (see Strange 1986; Frieden 1991; Goodman & Pauly 1993; Helleiner 1996). Indeed, in western Europe, such controls have been eliminated altogether under the single capital market clauses of the Maastricht Treaty. As Hugo Dixon wrote in *The Economist*'s Yearbook for 1999, "The process of European union is rich in ironies. But few more so than that the single currency will accelerate the replacement of the continent's stakeholder model of capitalism with one giving pre-eminence to shareholder value" (Dixon 1998: 128). In other words, the collapse of discrete national capital markets into a single EU-wide market has robbed the economies of western Europe of one of their most important institutional brakes against the encroachment of liberal market norms. Hence, we have no need to appeal to the image of globalisation in this instance to explain effects which are commonly attributed to globalising 'necessities'. For, we can see that they are actually being driven by the process of financial liberalisation built into wider dynamics of European integration (on the relationship between globalisation and European integration, see Hay, Watson & Wincott 1999).

Financial liberalisation and globalisation are therefore not necessarily the same thing. Moreover, it is financial liberalisation which typically acts as a better explanator of labour market trends which the conventional wisdom attributes instead to globalisation. The adoption of 'hire-and-fire' techniques is most credibly linked to the terms on which finance becomes available to firms under conditions of capital market liberalisation.

The defining feature of a liberal market economy is its tendency to prioritise competitive mechanisms and short-term contractual relations in order to resolve co-ordination difficulties (for various articulations of this idea, see Jones 1988; Riker & Weimer 1995; Peacock 1996; Wagner 1996; Banett 1997; Lustzig 1998). Nowhere is this seen more clearly than in the relationship between the financial and the productive sectors. Under conditions of liberal finance, funding for industry tends to be sourced competitively through capital markets rather than co-operatively through banks (on the distinction between capital market-based and bank-based financial systems, see Pollin 1995). Set within the context of liberalised international capital markets, institutional pressures privilege the 'arms-length' relationship between finance and industry which has traditionally been a feature of liberal market economies. This is not to treat international institutional arrangements as a strict functional imperative, physically precluding the more integrated relationship between finance and industry which has typified co-ordinated market economies. However, single capital market rules do make it more difficult to reproduce relationships of this latter type without the fear of predatory takeovers being sourced through the capital market (see *Financial Times* surveys, 27.11.1998, 11.06.1999; *Business Week* 05.04.1999).

In many instances, we have seen that the mere presence of capital-rich institutional investors operating in a liberalised international financial environment has been sufficient to promote liberal norms within domestic finance as well (on which point, see Harmes 1998). The short-term contractual relations operating between finance and industry in liberal market economies are typically made manifest in 'fluid', as opposed to 'dedicated', capital investments (see Watson & Hay 1998). The key difference between the two is that, under conditions of 'fluidity', capital investments tend to be aimed at the highest possible rate of return across the shortest possible time horizon. Returns can clearly be maximised over either the short-run or the long-run, and there is no guarantee that maximising short-run returns will automatically lead to the maximisation of long-run returns. That said, liberal financial regimes tend to promote short-run capital accumulation over longer-run concerns. As a consequence, 'exit' is more likely to be viewed as a rational strategy under conditions of liberal finance.

Of course, the conventional wisdom which we encountered in earlier chapters claims that 'exit' is the effect solely of globalisation. Here, however, we have traced the emergence of outcomes consistent with the globalisation hypothesis without needing to appeal to globalisation itself in order to attribute causality. This is significant. For, it confirms that operating within a liberal financial environment can serve to render globalising predictions in some way 'correct'; certainly in the sense that the world is experienced in a manner which the globalisation hypothesis would suggest is 'evidence' of the world having been globalised. However paradoxical this might sound on first reading, what we may need to explain before we can begin to understand the emergence of 'globalising outcomes' may not be the tendency towards globalisation per se. It may be that we would be better advised to try to explain the tendency towards financial liberalisation.

In this respect, the British case could prove to be particularly interesting. The British economy historically has had high levels of external trade linkages with the rest of the world (see Pollard 1992). This means that we could plausibly argue that it has always had a 'global' outlook. Moreover, this orientation towards the external economy has traditionally been driven by its highly liberalised financial sectors.

For instance, successive British governments have made much of Britain's 'success' in the inward investment game (see, for instance, HM Treasury 1996). Superficially at least, there is sufficient evidence for such claims to appear well-placed. Since the worldwide relaxation of capital controls in the early 1980s, Britain has attracted more per capita foreign direct investment than any other G7 economy (UNCTAD 1993). Despite this, however, Britain has actually been a consistent net exporter of capital (see Watson 1999b). When flows of invisibles from the financial sector are included in the analysis, talk of 'success' immediately becomes more difficult to sustain. Overall inward investment flows - visibles plus invisibles - have outnumbered overall outward investment flows in only one year since 1980 (*Economic Trends* 49: 20B).

When we take a closer look at the figures for inward investment, then, we find evidence that the real picture is rather more complex than it is made to appear in successive British governments' rhetoric. Furthermore, when we try to establish causal links, we serve merely to add another layer of complexity. According to the Blair Government, Britain's successful attraction of foreign direct investment has its origins in globalising tendencies.

It is globalisation which makes the attraction of foreign direct investment possible in the first place, and it is the government's strategy of accepting the political limits of globalising necessities which has made Britain such an appealing alternative for footloose firms. Once we scratch the surface of such rhetoric, however, two things become clear. Firstly, British 'success' in the inward investment game continues to be overshadowed by the export of capital through international financial markets. Secondly, this dominant outward flow of capital has a long history, stretching back not only into the pre-globalisation era but into the pre-Gold Standard era as well. It is the liberal orientation of Britain's capital markets which explains this outcome, not the putative increase in globalisation. Moreover, these markets have been oriented in this way ever since their inception, which casts further doubt on the need for the notion of globalisation in order to explain their operation in the current time period.

It is often said that globalising pressures within international finance have created a new market for hostile takeovers in a way which mitigates against long-term corporate strategy (see Campbell 1999; Ewing 1999). At most, it is thought that long-term strategic decisions are now the sole preserve of predators within the equity market. For those more likely to find themselves cast in the role of the prey, survivalist instincts are assumed to focus attention purely on the short-term. Yet, there is a well-established literature on relative British economic decline which suggests that the appeal to globalisation is superfluous to explanations of short-termism in Britain. Once again, we discover that globalising tendencies are being used to explain 'new' developments which, when set within the context of British capitalism, turn out to be not so new after all. The link between globalisation and the market for hostile takeovers is assumed to rest on the way that competition within global financial markets undermines firms' long-term financial planning. However, British firms have always had to rely on the allocation of financial assets on the basis of prices established in highly competitive and highly liquid capital markets (Lee 1996; Woolcock 1996). As a consequence, they have traditionally faced a structure of corporate finance which did little to promote their productive interests.

Moreover, the generic short-term tendencies of British capitalism are also reflected in a body of liberal company law which discourages strategic investments beyond immediate time horizons. That law privileges private property rights which are made manifest in a liberal financial environment in stock markets which display high liquidity demands (see Watson 2000a). This in turn compresses the time-scale over which investments are expected to pay for themselves (CBI 1994; Bond & Jenkinson 1996; Harmes 1998). Given liquidity demands of this nature, the performance of investment fund managers is judged on a quarterly and, in some instances, even a monthly basis. As a result, the ability of firms to raise equity in a liberal financial environment is adversely conditioned by the need for investment managers to create shareholder value in the short-term (Watson & Hay 1998).

Put together, these two aspects of liberal market accumulation serve to create an active market for corporate control. Hostile takeovers, forced mergers and asset-stripping acquisitions have long been constituted as the norm in such regimes (see Buckle &

Thompson 1995; Franks & Mayer 1990).[2] In the absence of all globalising tendencies, the continued reproduction of liberal market capitalism would in itself be sufficient to ensure that long-term productive performance remained subordinate to short-term financial returns. Capital market based financial systems thus act to discipline potential outcomes within liberal market economies (Cosh, Hughes & Singh 1990; Dixit 1992; Grieve Smith 1997). In particular, they serve to contain those risk-taking activities which are the very essence of dedicated capital investments through the continuous exposure of the 'prudence' of managers' decisions to shareholders' demands for short-term dividends.

From this brief excursion into the comparative capitalisms literature, it would appear that it is the distinctively liberal structure of the domestic market economy which is the most important explanator of contemporary economic policy in Britain, not the structure of the global economy. However, in the following section, I suggest that the comparative capitalisms literature itself raises as many questions as it answers. In terms of answers which can be treated as provisional conclusions at this stage, the comparative capitalisms framework provides significant evidence that the emergence of outcomes consistent with the globalisation hypothesis is not necessarily confirmation of that hypothesis. In other words, outcomes which are predicted under the assumption of globalisation can be observed for reasons which are independent of actual globalising dynamics. In terms of questions which demand future exploration, the comparative capitalisms literature says

[2] Moreover, this is also increasingly becoming an international norm. Aided by the single capital market rules of the Maastricht Treaty, for instance, 'merger mania' has become an ever more significant part of the European corporate landscape (Dixon 1998; *Business Week* 05.04.99).

very little about the way in which dominant forms of political mobilisation serve to sustain a domestic consensus for reproducing the economy in its historical form.

The danger of neglecting the political dimension of economic restructuring in this way is clear. The comparative capitalisms framework may well provide a means of liberating our understanding of globalisation from the shackles of economic determinism. Put simply, its focus on the institutional specificities of a range of national capitalisms allows us to view a range of different experiences of the capitalist economy, some of which may be consistent with the globalisation, but others of which are not. Yet, it remains vitally important *not* to imply that these differences are solely attributable to the institutional context in which they emerge. We can safely say that some national capitalisms display very different institutional arrangements to others. We can also safely say that some national capitalisms display very different experiences of globalisation to others. However, there is no basis on which to say that different experiences of globalisation are caused purely by different institutional arrangements. Whilst this is a claim which can be read into much of the comparative capitalisms literature, there are no grounds to construct a simple one-to-one mapping of this nature. This is the issue which I address in the following section.

The Discursive Conditions for 'Globalising Outcomes'

My main contention with the use of the comparative capitalisms literature is that it tends to be employed to forward causal arguments. Here, I use a comparative capitalisms framework no more than heuristically; to provide a context for a more substantive investigation of the experience of 'globalising outcomes' in a specific setting, rather than as an explanation of globalisation per se.

Let us return briefly to Peter Hall's suggestion that liberal market economies are structurally more susceptible to globalisation than organised market economies and, as such, will display more signs of globalising outcomes. It may well be the case, as Hall implies, that liberal market economies such as Britain are more likely to have facilitated globalising tendencies precisely because of their pre-existing liberal characteristics. For one thing, the political practice of globalisation would appear to represent less of an upheaval in those countries in which a liberal market economy was already an established part of 'normal politics'. For another, it would appear to be reasonable to expect that firms which were already responding to a liberal environment by liquidating existing assets before redeploying them in more profitable locations elsewhere would adapt most quickly to circumstances in which globalisation made exit ever more possible. In short, Hall's notion of comparative institutional advantage suggests that liberal market economies are likely to be furthest along the road to globalisation because globalising necessities represent less of a break with past practices. Superficially at least, such a position would seem to have much to commend it; providing, as it does, one way of capturing the essential variety of globalisation experiences. At the same time, however, it leaves many of the most important elements of that experience entirely unexplained.

Perhaps most importantly, tendencies towards globalising solutions and counter-tendencies away from them are assumed to be played out solely at the level of institutions. Arguably the most influential, and certainly the most detailed, analysis which falls into this trap is Geoffrey Garrett's book, *Partisan Politics in the Global Economy*. In the hands of Garrett, the comparative capitalisms framework is used to suggest that globalisation sustains multiple-equilibria (Garrett 1998). Put somewhat crudely, for those economies in which pre-existing institutional arrangements privilege distinctively liberal accumulation regimes, globalisation is thought to exaggerate the institutional advantage to be gained from further institutionalising liberal accumulation. Indeed, at times, there is little difference between the logic of neo-liberal necessity to be found in Garrett's work and the logic of neo-liberal necessity to be found in the conventional wisdom of globalisation. The only distinction of any note concerns the extent to which the neo-liberal logic of no alternative is likely to be experienced. In the conventional wisdom it applies across-the-board, whereas for Garrett it applies only to those economies which were already neo-liberal in orientation. By contrast, for those organised market economies with no history of liberal accumulation, globalisation is no longer assumed to come complete with the same logic of political inevitability. The political space for resisting the encroachment of liberal norms is still thought to exist. Indeed, at times, Garrett goes as far as to suggest that comparative institutional advantage can only be maintained for organised market economies *within* the context of active resistance to globalisation's liberalising norms. Once again, globalisation is thought to exaggerate the gains which are there to be made from further embedding the status quo.

As we can see from these arguments, the comparative capitalisms framework is often utilised in order to argue that the 'type' of globalisation experience which we can expect to see is dictated by the 'type' of institutional arrangement prevailing in the country under review. Given that it falls outside the influence of society to fully override institutional legacies in the short-term (see Archer 1995; Pierson 1993; Steinmo 1993; Stzompa 1993; Thelen 1994; Tilly 1994), here we come across another analytical framework in which we, as consciously acting social subjects, would appear to have no choice in our own globalisation experience. The general tendency within the comparative capitalisms literature is for globalisation to be treated just as much as a process without a subject as it is in the conventional wisdom.

In both accounts, we are presented with the argument that globalisation is purely a material process. In the conventional wisdom, globalisation is assumed to come complete with a neo-liberal logic of no alternative irrespective of context, because this is the only political settlement which the material structure of the global market will tolerate. In the comparative capitalisms approach, globalisation is assumed to come complete with a neo-liberal logic of no alternative for liberal market economies only, because this is the only political settlement which the material structure of liberal markets will tolerate under the influence of globalisation.

However, we may rightly be suspicious of the structuralist assumptions which dominate both of these literatures (see, for instance, Maier 1987; Blyth 1997; Hay & Wincott 1998; Sibeon 1999). The experience of globalisation cannot be reduced solely to the question of the feasibility of experiencing globalisation in a specific social setting, nor yet to the feasibility of experiencing resistance to globalisation. It is still possible that we may not wish to dismiss Hall's notion of comparative institutional advantage altogether from discussions of globalisation. Yet, it is necessary that we find a way to link that notion to empirical evidence explaining the precise manner in which successful political mobilisation takes place in certain contexts to the *desirability* of facilitating globalisation.

In order to account for the globalisation experience in Britain, for instance, we need to look beyond the prevailing institutional structure of Britain's liberal market economy and, hence, beyond those factors which appear to make globalisation more *possible* in Britain than elsewhere. We also need to look at the prevailing political and ideological structures operating in Britain, in an attempt to identify those factors which make the globalisation experience more *desirable* in Britain than elsewhere. Irrespective of the extent to which the British economy's liberal character provides a suitable institutional platform for experiencing outcomes consistent with the globalisation hypothesis, it is inconceivable that such experiences would have been as pronounced as they have been in the absence of successful political mobilisation within British society to their desirability. Had successful political mobilisation taken place instead to the desirability of *resistance* to globalisation, then we can reasonably assume that the experience of outcomes consistent with the globalisation hypothesis would have been less marked.

In short, then, we have to be aware that there are discursive, as well as material, conditions underpinning the experience of 'globalising outcomes'. Governments which are unable to operate within a discursive context in which globalising solutions have taken on the appearance of 'common-sense' are likely to find that their ability to embed such solutions is constrained. The possibility that prevailing institutional arrangements are a good, even perfect, fit with globalising demands is unlikely to change this basic condition for experiencing 'globalising outcomes'.

It is therefore clear that, in relation to economic policy, political actors are more than mere bearers of institutional logics (see Watson 1998a). The complex process of political change which is made manifest in the interaction between globalising tendencies and counter-tendencies cannot simply be 'read off' from the institutional environment within which they occur. Driven by the laudable underlying assumption that institutions matter (on which general point, see Steinmo et al 1992; Pierson 1993; Skocpol 1996), the comparative capitalisms literature all-too-often falsely elevates the institutional structure to the status of causal phenomenon (see Blyth 1997; Jenson 1989; Weir 1992). Missing almost entirely from such accounts is an appreciation of: i) the manner in which political interests in facilitating globalisation are formed in any given setting; ii) how those interests are articulated through the adoption of certain economic ideas; and iii) those aspects of the prevailing ideological context which allow such ideas to be turned into, firstly, a resonant political discourse and, subsequently, a decisive call to action.

We must therefore view 'globalising outcomes' in terms of the historical struggle which makes them possible. Quite clearly, the processes of historical struggle are shaped by a multitude of contingent factors operating simultaneously at local, national, regional and international levels. As a consequence, globalising tendencies are also inscribed with an essential contingency.

Dominant Discursive Formations in Britain and the Institutionalisation of Globalising Tendencies

In an attempt to discover more about the globalisation experience in Britain, the focus of the analysis now turns to those aspects of the discursive environment in that country which have aligned the dominant understanding of 'economic necessity' to the production of outcomes consistent with the globalisation hypothesis. In this respect, it is difficult to overstate the influence of previous historical struggles to impose a single conception of the competitive imperative to which the whole of British society would be oriented in the future.

At no stage has such a struggle been completely 'won', of course, at least in the sense of full discursive closure having been achieved. The processes of struggle carry on, and there are a number of influential social groups who continue to mobilise against its temporary 'resolution'. Nonetheless, a dominant trajectory can be discerned and, in relation to the political practice of competitiveness concerns, this trajectory is reflected both in élite discourse and public policy. Indeed, élite discourse tends to exaggerate the extent to which the dominant understanding of the competitive imperative underpinning public policy represents the settled will of the British people. Public policy in this area is consequently more coherent than public discourse.

The economic policy of both the Blair Government and its Conservative predecessors demonstrate the fact that élite discourse in Britain revolves around conceptions of competitive advantage which are founded on strategies for minimising labour costs (see Rubery 1989; Leys 1996; Coates 1999). To return for one moment to the comparative capitalisms framework, we revisit arguments about the way in which this understanding of competitiveness concerns is a good fit with the institutional context in which it has emerged. For instance, the ability to displace the burden of the competitive imperative onto labour is assisted by a liberal body of law which enables the swift redeployment of resources into lower-cost production. Here, however, we come across another 'possible/desirable' dichotomy. Although the material context may well render cost competitiveness strategies possible in Britain, in no sense can it be seen as determining its desirability. Yet, we must be clear that it is the discursive construction of its *desirability* which has served to embed this particular strategy for enhancing national competitiveness as the norm in Britain.

That construction has complex roots. Moreover, our ability to isolate them is hampered still further by the way in which they have been hidden behind a façade of legitimating rhetoric. Much of that legitimating rhetoric has become so familiar as the conventional wisdom of globalisation that it has increasingly seemed to lose its status as mere rhetoric, taking on the appearance of *actual causal dynamic* instead.

As John Wiseman argues, under the influence of the globalisation hypothesis, the debate about competitiveness in Britain has become increasingly dominated by 'economic rationalists' (Wiseman 1996: 98). Set within the context of assumptions about a single global market, it has been portrayed as 'rational' to suggest that additional market share will be the reward for governments who are able to exploit a comparative advantage in wage costs. Rational firms are assumed to exercise mobility options in the search for lower production costs, which means that rational governments will provide a context in which the struggle over wages is deliberately structured to provide lower production costs. Viewed through this perspective, it is suggested that political mobilisation is taking place to cost competitiveness strategies because this is the direction which all political mobilisation must adopt if the national interest is to be secured in an era of globalisation.

However, I wish to argue that this is merely legitimating rhetoric for a competitiveness strategy which was already in place before we entered the period commonly identified as 'globalisation'. Indeed, it is the pre-existence of cost competitiveness norms, allied to the way in which they have been constructed as fundamentally 'unquestionable' in public discourse, which is the most important factor helping us to explain the experience of supposedly global outcomes in Britain. As a consequence, our search must go on for the roots of the dominant discursive construction of the desirability of cost competitiveness strategies.

Such a search leads us to the impact of Thatcherite constructions of 'common-sense' within British politics. Clearly, this question has generated an enormous amount of specialist literature, both in relation to their impact at the time and also in relation to their lasting impact as mediated through New Labour. Equally clearly, an extensive review of this literature falls outside the scope of this thesis. Nonetheless, a few general observations are certainly in order.

First of all, it is necessary to point out that the debate about the extent of change which the Thatcher governments were able to impose of the institutions of the British state are superfluous to the nature of my enquiry (however, for that debate, see Minogue & Biddiss 1987; Hennessy & Seldon 1987; Crewe 1988; Jessop et al 1988; Benyon 1989; Gamble 1990; Kavanagh 1990; Cloke 1992; Marsh & Rhodes 1992; Moon 1994; Dorey 1995; Kerr et al 1997). Rather, I am concerned solely with the way in which Thatcherism has conditioned the ideas which are used to circumscribe the parameters of 'normal politics' in contemporary Britain. In this respect, at least, arguments about the impact of Thatcherism would appear to be well-grounded.

Perhaps most significantly, the Thatcher Governments managed to instil a particular conception of the events of the 1970s which was consistent with widespread perceptions that Britain was experiencing economic crisis, and which remains relatively intact to this day. Moreover, as Colin Hay has argued, that conception contained not only a description of what had gone wrong at that time, but a prescription for future action as well (Hay 1996: 268). Given that the Thatcherite diagnosis of the difficulties of the 1970s remains relatively intact within public discourse to this day, likewise the prescription of potential remedial action continues to resonate.

Whilst still in opposition, the Conservative Party was able to mobilise sufficient constituencies to the idea that the economic crisis of the 1970s could only be exited from the right. Moreover, the model of 'popular capitalism' which it offered to the electorate as the solution to the crisis generated sufficient consent to secure four successive general election victories. The most eloquent comment on the extent to which such consent is now considered to be an element of 'normal politics' in Britain is to found in the Labour Party's increasing refusal to contest the Conservatives' taxation policies (see Corry 1997; King 1998; Seyd 1998). For, it was the fiscal policy of 'popular capitalism' which gave the Thatcher governments their populist appeal, and which provided the basis for the mobilisation of successful electoral coalitions around their ideas (Giddens 1998).

The de-politicisation of the tax agenda has also impacted upon the way in which cost competitiveness concerns have been constructed as 'desirable' in Britain (Norris 1999; Hay & Watson 1999b). Cost competitiveness concerns make a positive virtue out of minimising the tax components of firms' production costs; indeed, of minimising tax burdens per se. Within the parameters of public discourse in contemporary Britain, *any* attempt to lower tax burdens tends to be automatically constructed as 'desirable'. As a consequence, cost competitiveness strategies have acquired a similar status, albeit somewhat by default, due to the way in which they provide an economic means to the wider political end of deactivating fiscal policy.

Thus, current British economic policy may well be dominated by the sort of neo-liberal leanings which the conventional wisdom suggests is an 'inevitable' aspect of living within a global world. However, the neo-liberal tendencies which we can observe can actually be shown to have emerged as a result of the neo-liberal 'solutions' which have been articulated to the dominant understanding of the competitive 'needs' of the British economy. Moreover, that articulation can also be shown to have only taken place because it reinforces the dominant discursive trends - those towards the 'desirability' of fiscal inertia - pre-existing within British politics.

Conclusion

As we can see, then, the production of outcomes consistent with the globalisation hypothesis can often involve processes which are far more complex than those associated with the simple assertion that we now live within a global world. Such an assertion suggests that the experience of globalisation is purely a material phenomenon relating to economic processes. Whilst in no sense do I wish to argue that the economic moment is *unimportant* to 'globalising outcomes', I do wish to contest the suggestion that it is *determining*. In this chapter, I have argued that there are also important discursive conditions underpinning the production of 'globalising outcomes'.

This raises another series of crucial questions, concerning the relationship *between* the material and the discursive conditions for experiencing the 'predictions' of the globalisation hypothesis. The logic of the argument which I am developing in this thesis is to suggest that its particular *manifestation* is always likely to be context-specific, depending on the dominant form of political mobilisation operating at a given point of both time and space. As such, this is an empirical question, which must remain open pending more concrete forms of enquiry.

That said, it is still possible at this stage to comment on the *nature* of the relationship between the material and the discursive elements of the globalisation experience. For, this is an analytical rather than an empirical question. In the introduction, and in order to state quite clearly an important distinction between the conclusions to be found in this thesis and those in much of the rest of the literature, I focused solely on the way in which ideas about globalisation can produce outcomes consistent with the globalising hypothesis, irrespective of the presence of pre-existing globalising trends. Whilst I insist on leaving open the possibility that, in some instances at least, ideas can have independent causal effects on political outcomes (see, for instance, Watson 1998a, 1999b, 2000a), I do not wish to broaden this out into a general claim that discursive practices necessarily *cause* material processes. Similarly, whilst I also refuse to reject the possibility that, in other instances, the economy will set very definite parameters for potential political outcomes (see, for instance, Watson 1997, 1999a, 2000b), I do not wish to broaden this out into a general claim that material processes necessarily *cause* discursive practices. In general, I prefer to view the relationship between the material and the discursive as constitutive rather than causal (on which distinction, see Wendt 1999).

At all times, the relationship between the material and the discursive should be analysed in fundamentally dialectical terms. Material processes contribute to the constitutive logic of discursive practices, just as discursive practices contribute to the constitutive logic of material processes. Neither ever exists independently of the other.

In conclusion, let me return briefly to the conventional wisdom of globalisation. For, it is based on the underlying premise that the reprojection of the capital relation onto a supra-territorial plane has produced a material structure which *does* now operate independently of wider discursive practices. As such, the distance which I have placed in the opening chapters of the thesis between my understanding of 'globalising outcomes' and that to be found in the conventional wisdom should be clear. Moreover, that distance will be maintained in the chapters which follow due to my commitment to the assumption that there are no circumstances in which material processes operate autonomously from discursive practices.

CHAPTER FIVE:

GLOBALISATION AND THE QUESTION OF NEO-LIBERAL HEGEMONY IN BRITAIN

The aim of previous chapters has been increasingly to assert the significance of discursive practices to the study of 'globalising outcomes'. Ideas are a constitutive element of the world which we experience.[1] As such, the struggle to institutionalise a dominant set of ideas represents nothing less than a contest to impose parameters around the politically possible. The process through which that struggle takes place may not always be conscious, but the outcome is the same nonetheless. Just as material structures can serve to limit the range of possible political outcomes, so too can discursive structures. At any moment of time, society tends to be oriented to a series of authoritative rules, and such rules themselves reflect the ideas that most closely approximate the prevailing 'common-sense' (on which point, see Maier 1987: 16).

In circumstances in which external events serve to render the prevailing 'common-sense' unquestionable, talk tends to turn to questions of hegemony. It is frequently argued that current circumstances are entirely consistent with talk of this nature. For 'external events' in current circumstances read globalisation, and for 'prevailing common-sense' read neo-liberalism. Thus, globalisation is assumed to have rendered neo-liberal economics increasingly unquestionable, subsequently hegemonising neo-liberal policies within public discourse. In this chapter, I set out to investigate such claims, with specific reference to the British case.

The End of Post-War Legitimation Norms and the Move to Legitimation Through Growth

Of course, having been at such pains to distance my analysis from that of the conventional wisdom, it is unlikely that I would commit myself to the line of reasoning suggested above. In previous chapters, I have attempted to demonstrate the conceptual cul-de-sacs which we are led into whenever we assume that globalisation is merely an 'external event'.[2] Having made this point repeatedly, it would then be somewhat contradictory to fall back on such an assumption at this stage. That said, this is not to argue that an investigation into the possible hegemonic status of neo-liberal ideas in modern-day Britain has no value. As I have also attempted to demonstrate, we may see the emergence of trends which are absolutely consistent with the predictions of the globalisation hypothesis *without* globalisation necessarily being the causal influence. It is therefore important to hold open such a possibility in this instance as well. Put simply, I reject the assumption that neo-liberal ideas are currently hegemonic in Britain due to exogenous economic pressures associated with globalisation, and I do so on the basis that this is a complete mis-specification of the way in which globalising outcomes are experienced. However, the question of whether the current period in British politics is

[1] Of course, as I have argued in previous chapters, the significance of ideas can also be causal as well as constitutive.

nonetheless one of neo-liberal hegemony must remain open pending further empirical analysis.

If we have arrived at a situation of neo-liberal hegemony in Britain, then hegemonic forces cannot simply be traced to globalisation. It is true that the struggle for hegemony takes place within a material environment. However, changes in that environment (whether evidence of globalisation or not) are not in themselves sufficient to ensure that a certain set of ideas becomes hegemonic.

Hegemonic practices are fundamentally discursive practices. Ideological struggle is conducted in the first instance at the level of discourse. It responds to attempts to rearticulate existing social norms so that they may be able to act as a unifying standard for a suitably reconstituted general interest (Gramsci 1971: 130-3; for commentaries, see Jessop 1982: 142-53, Mouffe 1979: 198). No amount of change in material conditions will ever be sufficient to hegemonise any set of ideological principles, unless that change occurs within the context of popular political mobilisation to the assumption that those principles also represent society's general interest.

As a consequence, the search for the potential origins of the moment when neo-liberalism became hegemonic in Britain must not be constrained by arguments about globalisation. Irrespective of the claims of the conventional wisdom, globalisation is simply not a causal phenomenon which would be capable of making things 'happen' in this way. Indeed,

[2] Or, perhaps more accurately, globalisation tends to be conceived as a series of mutually reinforcing

arguments about globalisation may prove to be altogether misleading in this instance. The search must instead focus on those moments in which successful political mobilisation took place to a conception of the general interest which served to render neo-liberal solutions functional to the process of economic management.

Such moments are difficult to pinpoint with any degree of precision. However, over the past two decades, we have seen a tendency within British politics for successive governments to respond to contradictions within the capital relation by privileging accumulation over legitimation demands.[3] Once again, arguments about globalisation could well 'get in the way' here if we allowed them to. For, faced with evidence of policies which appear to institutionalise the dominance of accumulation demands, globalisation is often appealed to as *the* reason. If the conventional wisdom of the 'inevitability' of welfare state retrenchment tells us anything, then it is surely that legitimation demands are now to be considered as structurally subordinate to those of accumulation. Globalisation is assumed to undermine the political potency of legitimation demands to the extent that it provides capital with a new-found ability to by-pass the state. This, it is argued, allows for the pursuit of accumulation goals safe in the knowledge that the circuit of capital is now able to transcend legitimation demands which are processed through the state.

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external events which serve to highlight a single systemic logic.

[3] Moreover, the dominant discourse accompanying such interventions tends to relocate the source of the contradiction so that it fails to be experienced directly as a contradiction of the capital relation.

Yet, in terms of Britain at least, there is an important chronological contradiction involved in attempts such as this to ascribe causal agency to globalisation in the process through which legitimation demands have become subordinate to those of accumulation. Quite clearly, successful political mobilisation to the 'need' to downgrade policies aimed at legitimation occurred in Britain considerably before successful political mobilisation to the image of globalising 'necessities' (see, for instance, Singh 1977; Harrison 1980; Elam 1990; Allsopp 1991; Pollard 1992; Thompson 1996).[4] In this respect, the qualitative novelty of globalisation is restricted to the manner in which it has been appealed to in an attempt to de-politicise such trends (see Watson 1999b; Burnham 1999).

Legitimation imperatives have been constructed as 'rationality deficits' existing at the heart of British economic policy-making ever since the Conservative Party began its attempts to recast post-war legitimation norms in the mid-1970s. The extent to which this corresponded to the implementation of a coherent blueprint for change is still a matter of some dispute within the academic literature (on which, see Hall & Jacques 1983; Jessop et al 1988; Leys 1990; Marsh & Rhodes 1992; Moon 1994). What it would be more difficult to contest, however, is the suggestion that change in legitimation norms *has* occurred.

Equally, we have seen change in the dominant form of political mobilisation to the question of legitimation demands. In the absence of successful mobilisation against the continued reproduction of post-war legitimation norms, it would be inconceivable that

[4] It can be traced more precisely to the rise of New Right ideology - discursive shifts which occurred in the

those norms could have been superceded to the extent that they have. The lack of concerted popular opposition to the Blair Government's continuing overhaul of the remaining elements of universal welfare state provision (on which point, see *The Guardian* editorial, 10.11.99) is surely testament to the fact that 'times have changed'. The welfare state is becoming ever more conditional in Britain (King & Wood 1999), and it is being led in that direction under the influence of a dominant public discourse which increasingly doubts the need to defend more universal provision.

The conscious construction of an explicitly inegalitarian politics has increasingly fragmented the nature of legitimation demands in Britain (see Jessop et al 1988 for a discussion of Thatcherism as a 'two-nation project'). Twenty years of redistribution in the direction of greater inequality has enabled wage rates in some sectors of the labour market to rise rapidly, at the same time as more coercive measures have been deployed to hold wages down in other sectors[5]. Indeed, where wage growth has been strong, it has far exceeded the reduction of the social wage resulting from the abstraction of the state from universal welfare provision. As such, the loss of legitimation-enhancing welfare provision has been more than compensated by a flow of material gains in those sectors of the labour market in which wage growth has remained buoyant.

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absence of arguments about globalisation.

[5] Such coercion has been introduced by both state and capital.

Post-war legitimation norms have been overwritten in Britain insofar as a greater proportion of Britain's electorally-ascendant middle-classes than ever before no longer need the state to be run in accordance with such norms. It is the middle-classes who typically inhabit those sectors of the labour market in which wage growth has been strong, and the compensatory wealth effects of this 'two-nation' labour market policy have led to a heightened use of private insurance markets. Increasingly, private contracts are replacing the state in the role of service provider across a whole range of social policy areas (see Ellison 1997; Ainley 1999). Under the terms of the post-war welfare settlement in Britain, the role of the state in social policy was to act as a direct substitute for 'missing markets' in areas such as health care, pensions and education. Moreover, the reproduction of state power in its traditional post-war form was conditioned by the legitimation resources generated from the successful pursuit of such a role.

Today in Britain, however, the attempts of successive governments to roll back the welfare frontiers of the state have undermined the ability to source legitimation demands in this way. In fact, for those who continue to depend upon the public sector for social provision, we should perhaps be thinking in terms of the progressive institutionalisation of legitimacy deficits within the structures of the state. Talk of 'crisis within the NHS', for instance, has become an everyday part of the vocabulary of British politics. That said, it would still be premature to suggest that these legitimacy deficits will lead automatically to a full-blown state crisis of political rationality. For, the dominant form of political mobilisation in Britain today actually serves to displace the potential for such a crisis (on New Labour's politics of 'expectation suppression', see Hay & Watson 1998). In the wake of the Labour Party's 'modernisation', the target constituencies of British party politics has become concentrated ever more closely on the scramble for middle-class votes (on which point, see Leys 1996; Kennedy 1998; Marquand 1998; Vincent 1998; Gould 1999; Dorey 1999). These are the same middle-classes who have shown themselves, as a group, to be willing to confer continued legitimacy upon a system which has allowed them to be compensated materially for a less activist social state.

The legitimation discourse which dominates in Britain today is therefore tied more explicitly to the performance of the economy than previously in the post-war period. The ability to sustain systemic legitimation in the face of reduced social provision through selective material compensation depends upon the ability to maintain a level of economic performance which is capable of sustaining the means of funding those compensatory payments. In circumstances in which prevailing growth rates are inadequate to such a task, there is less scope for offsetting the legitimation deficits which emerge from the retrenchment of publically-funded social provision.

In this respect, the situation appears to have become ever more one of legitimation through growth. Indeed, we may even have reached a situation of legitimation through *anticipation* of growth. Legitimation concerns in the sphere of social welfare have increasingly been superceded as social policy has been recast, in Bob Jessop's terms, as an 'extra-economic aid to national competitiveness' (see, for example, Jessop 1993, 1994b). Popular political mobilisation used to take place to the idea that social welfare was a public good in its own right. Now, that idea has been increasingly subordinated to the view that social policy only becomes a public good in the event of it assisting British firms in the search for new markets (Jones 1996; Ainley 1999). As the results of the Blair Government's comprehensive review of welfare provision begin to be published, a clear pattern is emerging. Welfare-enhancing expenditures which are assumed to have a positive effect on the future growth trajectory of the British economy continue to be tolerated; those that fail to live up to such standards increasingly do not. What we have witnessed, then, is the tendency to move towards sourcing legitimation demands *through* accumulation.

It is at this point that our discussion can return to the question of neo-liberalism. For, as I argued in the previous chapter, accumulation concerns have increasingly been set in Britain within the context of a dominant public discourse which privileges distinctively neo-liberal conceptions of the competitive imperative. It is not merely accumulation demands to which post-war principles of legitimation are being sacrificed. It is the demands of a *specifically* neo-liberal accumulation regime. The growth imperatives which have clearly replaced welfare state imperatives as a defining element of 'normal politics' in contemporary Britain are equally clearly neo-liberal growth imperatives (see Hay & Watson 1999c). That said, however, the fact that New Labour has chosen to adopt a macroeconomic stabilisation policy which does not fundamentally depart from the terms of its neo-liberal inheritance (see Watson 1997) is not, in itself, evidence of neo-liberal hegemony. As such, the analysis must move on.

Gramsci and the Consensual Element of Hegemony

Hegemonic tendencies require for popular political mobilisation to elevate a particular interest to the status of 'general interest'. The dominant form of mobilisation in Britain seeks to orient the rest of society to the need to treat particular interests in the sphere of accumulation as the general interest. Given that accumulation strategies currently display distinctive neo-liberal attributes in terms of both labour market and macroeconomic policies, there is nothing here to rule out the possibility of neo-liberal hegemony in contemporary Britain. Moreover, hegemonic tendencies are linked to the reproduction of the status quo. The addition of 'Third Way' rhetoric notwithstanding, the rationality underlying the economic status quo in Britain remains fundamentally neo-liberal. Once again, there are no grounds here necessarily to dismiss claims of neo-liberal hegemony. Such grounds are to be found elsewhere.

The complex institutional structure of a modern state is most likely to convey a sense of substantive unity when set within the context of a fully developed hegemonic project. It is through the perspective of a permanent resolution of the contradiction between its accumulation and legitimation imperatives, for instance, that the state is most able to reflect the appearance of a coherent unitary actor. Yet, although we may well have evidence that this contradiction has been temporarily resolved in Britain through the move towards sourcing legitimation demands through accumulation, there is no evidence that this is anything other than a *temporary* resolution. The test of a truly hegemonic moment is that ideological compliance for the circumscription of political contestation is freely given (see Gramsci 1971: 206-76). Only in circumstances such as these should we expect to observe anything approaching a permanent resolution to the internal contradictions of state policy-making. In all other circumstances, the absence of ideological compliance is likely to be sufficient to ensure that contradictions are no more than displaced into a future time period. The reason to doubt that Britain is currently experiencing a moment of neo-liberal hegemony, then, lies in the fact that its neo-liberal accumulation regime is being reproduced in the absence of overwhelming popular consent.

Truly hegemonic moments require a dominant vision of society to be institutionalised which the vast majority of the population feels predisposed to 'buy into'. This is perhaps sufficient to ensure that truly hegemonic moments are rare in practice. Yet, it is also sufficient to suggest that talk of neo-liberal hegemony would be misplaced if we were to discover that the primary means of institutionalising neo-liberal solutions in contemporary Britain was coercive. The stress which Gramsci placed on the formation of a collective will through active support implies that hegemonic tendencies cannot be sustained merely through the use of force (Gramsci 1971: 130-3; see also Jessop 1982: 144-9). Hegemony should maybe be seen as the more consensual 'alter-ego' of coercion, acting to mobilise *sufficient* - although not necessarily *overwhelming* - numbers to a dominant world-view. Thus, coercion is to be seen only as a last resort, when all other means of shaping perceptions of a shared national interest appear to have been exhausted.

Set in this context, what is perhaps most significant about the neo-liberal experience in Britain is the extent to which its reproduction has relied on the last resort option being implemented. As such, British society has been led further down the road to neo-liberalism in a way which sits uncomfortably alongside Gramsci's understanding of 'leadership' under conditions of hegemony. Gramsci assumed that a particular balance of social forces was only likely to be sustainable in the long-run should those who currently hold the balance of power be able to justify that position through the assertion of 'intellectual and moral leadership' (on which point, see Femia 1975: 30-1). It was only in circumstances such as these, he argued, that active consent could be secured for ideological compliance. As Gioseppe Fiori observes, it was entirely necessary for Gramsci to lay such stress on ideological compliance, for consent to be governed under conditions of hegemony amounts to "acceptance of a 'conception of the world' which belongs to others" (Fiori 1970: 238). In the absence of 'intellectual and moral leadership' of this nature, no amount of raw political power is likely to be sufficient to enable an ascendant social group to temporarily suspend the distinction between its own ethical, political and cultural values and societal norms (Mouffe 1979: 198).

Moreover, in the absence of successful 'intellectual and moral leadership', the preservation of the status quo becomes increasingly reliant on the exercise of forceable 'domination'. It is within this latter context that arguments about globalisation appear to be particularly relevant. The political practice of globalisation may well involve an increase in the level of 'domination' within society. At a number of different levels in Britain, the coercive apparatus of the state has been used to actively promote globalising dynamics in order to 'enforce' the tendency towards economic neo-liberalism within domestic politics. As we saw in the opening chapter, the world remains stubbornly resistant to the creation of truly global markets. Equally, however, a truly global system of markets has not been necessary for arguments about globalisation to have been constructed as an external enforcement mechanism for neo-liberalism in public discourse in Britain.

In this respect, two examples of the way in which economic policy-making responsibility has been effectively externalised are particularly instructive. On the one hand, the British government has been complicit in de-politicising fiscal policy by signing international trade and investment agreements which supercede national law. On the other, it has also been complicit in de-politicising monetary policy by contracting out the power of initiative to an unelected committee of technical 'experts' working for the Bank of England. These developments are interesting for a number of reasons. Firstly, although globalising tendencies have provided a convenient alibi for the government's actions in these instances, globalisation itself has not needed to be an empirical reality for such actions to have been undertaken. Secondly, in the context of discussions of hegemony, this is hardly evidence of hegemonic leadership. Indeed, to the extent that economic policy is now run increasingly in line with 'automatic pilots' located within international markets (see Watson 1998a), this would appear to be the effective *abrogation* of leadership. At most, we have a curious conception of leadership in which 'to lead' appears to equate with closing off the possibility of being led anywhere else in the future. Dissatisfaction with the status quo in Britain could well turn into popular political mobilisation against the continued dominance of neo-liberal economics. Indeed, such dissatisfaction may already be only too apparent. Irrespective of the extent of mobilisation against the neo-liberal status quo, however, there is no guarantee that it would necessarily be successful. Given the increasing use of external enforcement mechanisms for economic policy-making, it is far from clear that the institutional capacity still exists for translating popular political demands into decisive action of this nature.

This, to me, most accurately captures the attraction of globalisation for contemporary public policy-makers in Britain. Senior members of the Blair Government have repeatedly passed positive judgement on the emergence of globalising tendencies (see, for instance, Blair 1996a, 1996b, 1998, 1999; Brown 1996, 1998b, 1999). Yet, this is less a judgement on globalisation per se than a judgement on the way in which arguments about globalising effects can be appropriated in order to re-shape popular political debates to the government's own advantage. In this respect, globalisation impacts so spectacularly because it is seen to remove the need for active consent to further neo-liberal restructuring.

It is necessary to question the extent to which we, as citizens, have the ability to undermine the legitimacy of the neo-liberal status quo by withdrawing our consent to it. In general, it is only possible to affect political outcomes through refusing to consent to the effects of the decision-making process when one highly important condition holds: namely, that the decision-making process itself is democratically accountable. It is far from certain, however, that channels of democratic accountability remain open to us should we wish to resist the further encroachment of neo-liberal norms currently being introduced behind the façade of globalisation. In Britain at least, such channels would already appear to have been closed. Under the Conservative Governments of Thatcher and Major, channels of resistance to neo-liberal restructuring were shut down as a matter of ideological 'necessity'. Under New Labour, the Blair Government has displaced yet more sites of potential resistance to neo-liberal restructuring by creating a range of new external enforcement mechanisms for policy as a response to perceived globalising 'necessities'.

These external enforcement mechanisms have taken many forms. Firstly, there are multilateral institutions such as the World Trade Organization and the International Monetary Fund. The channels of representation that are open to us to influence the decision-making processes of these institutions is strictly limited, and what representation we have is mediated through the national government. No economist working as a policy advisor for either the WTO or the IMF is appointed using democratic procedures. As such, democratic procedures cannot be called upon to remove policy advisors who are responsible for diffusing neo-liberal ideology, even when the processes of diffusion take place in contexts in which the local population is mobilised to resist that ideology. Moreover, on those recent occasions in which local resistance has attempted to question the legitimacy of WTO and IMF interventions, the Blair government has remained steadfastly committed to the official line. For instance, both the US-EU dispute over bananas and the Asian financial crisis were met with a British endorsement of existing international institutional arrangements and, perhaps more importantly, of the economic 'truths' which such institutions promote (for the Chancellor of the Exchequer's views on these issues, see the Treasury's web site at http:www.hm-treasury.gov.uk; see also Baker 2000).

Secondly, whilst it is multilateral institutions which have set the context for liberalisation, it has been key actors such as multinational corporations which have actually driven the liberalising trend through their investment decisions. Here, too, there are no readily apparent channels of representation which would enable us to have democratic input into the decision-making process of multinational corporations. Indeed, the British government has actively promoted the replacement of local political structures with the corporate boardroom as the site in which local economic decisions are taken (Watson 1997, 2000b). For instance, inward investors will generally only re-locate into areas in which local trade unions are weak (cf Bellak 1997). In this respect, the British government has minimised inward investors' search costs. For, it has repeatedly guaranteed the rights of multinational corporations to sign no union deals or, at most, a single union deal where individual trade unions were invited to compete against one another to see which one could offer the most 'user-friendly' package (on the specific case of Japanese inward investment into Britain, see for instance Heitger & Stehn 1990; Munday & Wilkinson 1993; Peck & Stone 1993; Williams et al 1993; Palmer 1996; Dicken & Tickell 1997). As such, the usual channel of representation between shop floor and board room is increasingly being denied.

Thirdly, the Blair Government has done much actively to court the external discipline which trading in international financial markets is assumed to imply. The normalising effect of speculative capital movements is most apparent in circumstances in which capital flows are unchecked by government regulation. Blair himself has consistently spoken of the economic benefits which are to be gained from operating in such an environment, and hence from allowing the international financial markets the power of determination over monetary policy (see, for instance, Held 1998; Blair 1996a, 1998, 1999).

Furthermore, when New Labour has entered the international debate on the need for a 'new financial architecture' (see Economic Report of the President 1999; World Bank 1998; Eichengreen 1999), it has done so on distinctively neo-liberal terms (Watson 2000d). In particular, it has argued most forcefully for new rules to increase the transparency of financial transactions. However, its favoured conception of 'transparency' involves a highly asymmetic relationship between domestic governments and international financial markets. Under the terms of New Labour's appeal to a 'new Bretton Woods', governments would have a responsibility to the markets to act in a 'transparent' manner. For instance, international supervisory bodies would be required to give governments incentives to pre-commit the terms of macroeconomic management beyond the short-term, in order to allow markets to assess the risk of potential investments more accurately. At the same time, the proposals make no provision for a reciprocal relationship of 'transparency', in which the markets would bear a responsibility to governments, in turn allowing them to plan beyond the short-term. The Blair

Government continually refuses to question the sanctity of the private property rights of individuals acting within international financial markets, neither in its current actions nor in its proposals for the future. As a consequence, its advocacy of a 'new financial architecture' serves merely as a means of further empowering the owners of capital to restrict the policy-making parameters which governments work within. Clearly, then, these are also proposals to restrict the impact of popular political mobilisation on the economic policy-making process in general, and proposals to restrict the impact of popular political mobilisation against the prevailing neo-liberal order in particular.

As we can see, a whole host of mechanisms are already in place to act as external enforcement mechanisms for the reproduction of the neo-liberal status quo in Britain, and more will soon be in place should the Blair Government be successful in implementing its plans for international financial reform. Put together, they form a material structure which actively displaces the need for consent to the continued ascendancy of neo-liberal economics. Moreover, it is not only at the level of material structure that the need for consent is being displaced in this way. There is nothing in the Gramscian notion of 'domination' which suggests that the process through which subordinate social groups come to be dominated necessarily has to have its origins in material structures (Gramsci 1971: 247; Forgacs 1989: 86; de Brunhoff 1978: 102; Howarth 1995: 121). 'Domination' can also be imposed through the realm of ideas. In the remainder of this chapter, I turn to question the way in which the public discourse of globalisation has been used in Britain as an external enforcement mechanism for neo-liberal norms. Whilst I continue to dispute the causal status of the link between the material reality of globalisation and the 'necessity' of neo-liberalism, evidence of a link between the dominant discourse of 'global imperatives' and neo-liberal outcomes in Britain is much easier to sustain.

The Educative Role of the State and the Creation of a Political Logic of 'No Alternative'

As soon as we begin to explore the way in which 'domination' is enacted through the realm of ideas as a means of analysing the impact of the dominant discourse of globalisation, we return to the suggestion that the state is indispensible to the emergence of 'globalising outcomes'. The conventional wisdom ascribes a sense of rationality to interventions which bear the hallmark of a logic of neo-liberal necessity. The mere appearance that political interventions are rational typically serves to dampen down popular resistance to them. Rational decision-making is therefore most likely to lead to popular responses which are consistent with ideological compliance. However, to focus purely on the perceived rationality of the decision-making process leaves a series of even more fundamental questions unasked. How, for instance, are we to decide on the type of interventions which are to be deemed rational in any given setting? Who, in addition, gets to set the standards by which we take those decisions? In order to search for answers to such questions, let us revisit previous arguments about the role of the state within society.

From a Gramscian perspective, the state is traditionally cast in the role of 'educator'. The state apparatus is appropriated in order to shape the dominant cognitive structure, typically in a manner consistent with the reproduction of the ideological status quo. The very possibility of political change is policed by this use of the state to disseminate certain knowledge claims as objective 'facts' relating to 'the way we are'. In any instance in which knowledge claims cohere into a systemic common-sense, future choices tend to be reduced in line with the emergence of a political logic of 'no alternative'.

According to Ralph Miliband, actors working within the institutions of the state have been able to harness recent technological advances to their own ends. Such advances have increased the ability to disseminate information within society. As a result of which, the state's role as a factor of ideological cohesion within the social formation is arguably now more deeply entrenched than at any previous time (Miliband 1985: 264-5, 1994: 11). Hence, the state now possesses perhaps unprecedented means of fulfilling the 'educative' function which Gramsci took to be a fundamental aspect of its reproduction of the status quo. Moreover, then, we may have also reached a position in which we are more likely to witness the creation of cognitive structures consistent with political logics of 'no alternative'.

Of course, there is much more to the creation of cognitive structures of this nature than the simple ability to co-ordinate the dissemination of knowledge claims as objective 'truths'. For a start, there is a plausibility criterion. If we, as consciously acting political subjects, are to accept the putative 'truth' claims of a political logic of no alternative, then there has to be a sense in which those claims accord with the way in which we perceive the world. In this respect, experience is crucial. We tend to perceive the world in ways which ensure that those perceptions are consistent with our everyday experiences of that world. Under the preference-shaping influence of active political strategies to condition what we hold to be true about the world in which we live, perceptions of reality are every bit as important as reality itself.

Perceptions of globalisation, for instance, have been every bit as important in shaping political outcomes in modern Britain as globalisation per se. Given the data presented in Chapter One, which show that the dominant discourse of globalisation remains committed to assumptions of a 'one-price world' even though the world itself remains stubbornly resistant to true dynamics of global supply and demand, this may not be all that surprising. It occurs for one very good reason. Public policy responses cast in the image of 'globalising necessities' not only reinforce an experience of the world which was already part of 'normal politics' in Britain. It also reinforces the dominant knowledge claims being disseminated through the communicative arms of the state about the way in which Britain *should* be governed in the future. In other words, not only have 'globalising necessities' been decoded in a manner which has been consistent with the reproduction of the existing macroeconomic regime. Such 'necessities' have been deliberately *encoded* as a political logic of no alternative in the first place precisely so that they could be decoded to facilitate the reproduction of the status quo.

Perhaps *the* most important knowledge claim contained within the dominant discourse of globalisation is that the new economic 'reality' reduces the scope of feasible macroeconomic management at the national level (see also Rosamond 1999). But, as even the most cursory reading of recent developments within British politics would reveal, the existing macroeconomic regime has been tied for some time to the mobilisation of an electorally-acendant coalition to the *normative* case for withdrawing active arms of the state from the economy. The incentive for constructing globalisation through the perspective of a political logic of no alternative is clearly heightened in Britain, then, for those parties that identify their own interests in a commitment to the economic status quo. In the British case, a dominant discourse of globalisation has been linked, with significant political implications, to a resonant logic of 'neo-liberal necessity'. The relative ease with which that link has been established must surely be related to the fact that it reinforces dominant norms and values which were already being carried within the cognitive structure of political common-sense within that country. It is likely that this is more an élite common-sense in practice than a strict Gramscian interpretation of a common-sense which runs all the way through society. That said, the communicative functions of the state are triggered first and foremost through the way in which élite discourse encodes material experiences. Moreover, given the influence of the communicative functions of the state in conditioning the decoding of that discourse in society more generally, the significance of élite common-sense to subsequent political outcomes should be clear.

Of course, there is no guarantee that élite common-sense will bear direct correspondence between country cases. This helps to explain our observations of a distinctively multi-speed globalisation process. Indeed, it may be more apt to think beyond the single political logic of no alternative which tends to dominate the Anglophone literature on globalisation, instead holding open the possibility of multiple logics of no alternative appropriate to multiple élite common-senses. The likely public policy response to perceptions of globalising imperatives could then be expected to fall anywhere on a spectrum from all-out embrace to all-out resistance. The Anglophone response to globalising trends has essentialised a logic of 'neo-liberal necessity' as *the* political logic of no alternative because this currently reflects the cognitive structure which dominates rationality hypotheses in the English-speaking world, but *only* because of this. Set within a cognitive context predisposed to question the perceived rationality of market liberalism, globalisation's political logic of no alternative is more likely to reinforce pre-existing tendencies towards *resisting* the encroachment of market liberal norms than it is create new tendencies towards enabling them.

The fact that this thesis focuses on Britain, however, means that these potentially fruitful avenues of investigation must temporarily be closed down pending future empirical research. 'Truth' claims relating to globalisation have been functional to the reproduction of Britain's distinctively neo-liberal macroeconomic status quo through the way in which they have been used to narrow the perceived scope of political conflict within the policy-making arena. A dominant discourse of globalisation has been used in Britain, then, to increase the potency of arguments for imposing a uni-dimensional rationality onto the structures of the state. In particular, the image of globalisation has provided a means of pushing through neo-liberal reforms in circumstances in which ideological compliance to such a strategy cannot be guaranteed. The very language used to describe globalisation in public discourse in Britain - 'the impersonal forces of the market' operating to 'an inexorable logic' on 'a supraterritorial plane' - attempts to displace human subjectivity as a dynamic agent in political and economic change. Instead, the image of a determining structure of pure market relations tends to be asserted in order to maintain the legitimacy of further neo-liberal change within the existing macroeconomic order. For, in the perceived absence of subjects enacting change, change becomes in some sense 'natural', and therefore to be accepted as a 'fact-of-life' (on which point, see van Dijk 1998: 256).

The decision not to question the fundamentals of the existing macroeconomic order - indeed, to appeal to 'globalising imperatives' to render that order increasingly unquestion*able* - does not reflect a simple situation of neo-liberal hegemony. Consent has been secured for the reproduction of the status quo only through the success of disciplining expectations that the economy could be organised in any other way. The changing policy priorities of the Labour Party are crucial in this respect, because the strategic reorientation of Labour's preferred macroeconomic stance has rendered it increasingly unable to mobilise popular countermovements to the demands of neo-liberal accumulation. It is not that globalisation has been used to 'lead' a coalition of social forces to give active support for continued neo-liberal restructuring in a true Gramscian sense. Rather, the general will to conform has been secured in the absence of the alternative of being 'led' in any other direction. Indeed, the dominant public discourse of globalisation in Britain has had such significant effects precisely because it displaces both the political capacity to lead and the need for consent to be led. Globalisation's dominant construction as a process without readily identifiable subjects is therefore inherently depoliticising.

Conclusion

The reproduction of the status quo in contemporary Britain appears to depend less on consent than on resignation to the structural 'impossibility' of successful political dissent (see also Miliband 1994: 11). Gramsci constructed the situation of 'passive revolution' to describe a tendency towards the normalisation of perceived systemic imperatives amidst mobilisation to the idea that there is, in any case, no feasible alternative to the status quo. The concept of 'passive revolution' suggests the likelihood of a temporary depoliticisation of the state's policy-making agenda. Of course, depoliticisation does not mean 'apolitical'. Depoliticisation is itself a deliberate governing strategy (see Burnham 1999), born of a highly political struggle to establish a dominant ideological understanding of the 'needs' of the economic system. Once such an understanding is established, it tends to serve as a political blueprint for identifying the common-sense solution to any problems of organisation within the social formation.

This, I suggest, closely approximates the situation we witness in Britain today. We have seen the production of ideological consent for the continued maintenance of a distinctively neo-liberal macroeconomic status quo. And we have seen that consent mediated through the construction of a political logic of no alternative enforced by 'globalising imperatives'. In order that such a logic should resonate, the British economy has been increasingly integrated into an international restructuring dynamic which facilitates the 'believability' of arguments about globalisation.

The increasingly coercive aspects of the reproduction of the macroeconomic status quo in Britain can therefore be identified at two quite distinct levels. At the material level, the systematic liberalisation of the structures of the international economy has created a context for domestic policy-making which has been strategically selective of neo-liberal policies. Successive British governments have attempted to lock the domestic economy into binding multilateral norms which have enforced the sense of strategic selectivity. Moreover, in those instances in which policy-making responsibility has remained at the national level, most particularly monetary policy, that responsibility has been voluntarily passed to committees of technical experts. At the discursive level, locking-in processes are also apparent. The construction of a depoliticising logic of 'neo-liberal necessity' has contributed significantly to the image of an increasingly 'forced' reproduction of the status quo.

CHAPTER SIX:

PUBLIC POLICY-MAKING

IN THE SHADOW OF GLOBALISATION

I have used the previous chapters to argue that the link between economic globalisation and subsequent political outcomes is much more complex than a simple line of causation running from material economic reality to political effect would suggest. In particular, I have emphasised the significance of the dominant discursive construction of 'globalising necessities' to which society is mobilised politically. As a consequence, I have suggested that there is much at stake in the public construction of 'knowledge' about globalisation (Watson 1999b; Hay & Watson 2000; Hay, Watson & Wincott 1999; see also Rosamond 2000). In this respect, it is perhaps surprising that the literature on the political influence of *ideas* about globalisation is still in its infancy. Indeed, it is necessary to point to the conspicuous absence of literature charting the independent constitutive role of ideas about globalisation in the production of political effects which are so often attributed to globalisation itself.

At this stage in the analysis, let me recap what I am *not* arguing, as a means of shedding light on what I *am* arguing. For a start, in suggesting that the dominant discourse of globalisation has become institutionally embedded in Britain to the extent to which it now produces substantive effects is not to imply that there is no extra-discursive realm. I have argued against the tendency within the literature to treat economic globalisation as a structural given from which political outcomes can simply be read off. But, I have not been at pains to make this argument only to replace it with a counter-argument that ideas about globalisation are a structural given from which political outcomes can equally simply be read off. An extra-discursive realm does indeed exist. All that I am suggesting is that governments will tend to act on perceptions of reality rather than an unmediated objective reality per se. This will be as true in the specific case of globalisation as it is in general. In other words, I have used the previous chapters to argue that the British government has tended to act on a particular perception of 'globalising necessities' rather than an unmediated objective reality of globalisation per se.

From this, it is hopefully clear that my emphasis on the rhetorical production of 'globalising outcomes' should not be mistaken for the view that recent years have seen no qualitative transformation in and of the structures of the international economy. Significant, and path-shaping, change has most definitely occurred. Nowhere is this more evident than in a series of crucial and on-going interventions designed to impose extreme liberal norms on the operation of international financial markets (see, for instance, Helleiner 1996; Eichengreen 1998). In terms of both their form and their functions, contemporary financial markets are unrecognisable when compared to those of the Bretton Woods era. That said, to describe such change *necessarily* as evidence for globalisation may well be to jump the gun. There is surely much to be gained from repeating Andreas Busch's use of the word 'revolutionary' in an attempt to capture the recent growth of traded volumes on western financial markets (Busch 2000: 48). However, the notion that globalisation acts as a suitable label for that 'revolution' is to conflate arguments about the *extent* of change on those markets with arguments about their *nature*. Without doubt, such a conflation exerts a powerful grip on the political imagination of contemporary public policy-makers. Yet, to run these two arguments together is fundamentally to mis-specify the actual dynamics of current processes of change. As *The Economist* concedes, “despite all the hyperbole, a global capital market does not yet exist ... Capital markets do *not* fully transcend national boundaries” (*The Economist* 1997a: 139, emphases added).

‘Globalisation’, then, is not necessarily a synonym for ‘change’. Yet, in terms of both the academic literature and public policy debates, there is a tendency for these two words to be used as direct substitutes in discussions about international economic processes. Put simply, the fact that financial markets are not what they were is beyond question. The suggestion that they now respond to the rhythm of global supply and demand is another matter altogether. My aim is not to contest the notion of change *per se*. It is, however, to query that the nature of such change is necessarily in the direction of out-and-out globalisation.

There are, then, two distinct arguments about financial market restructuring which tend to be taken as one, not only in the existing academic literature, but also in public discourse. As the thesis progresses in the chapters which remain, I suggest that such developments have resulted in increasingly contradictory macroeconomic policy-making. This has placed important restrictions on perceptions of political possibility which, in turn, have served to discipline expectations of new social formations. Great practical significance can therefore be attached to the failure to treat as separate very different claims about, firstly, the extent of recent financial market change and, secondly, its nature. Given that significance, we need to explore the analytical distinction between these two tendencies in more detail.

Speculation and Self-Fulfilling Attacks

If we are trying to find the single most important aspect of recent financial market restructuring, then our search should surely begin with the sheer quantity of funds with which those markets are now awash. A far higher proportion of GDP in every economy in the west is now devoted to non-productive purposes than at any previous time. As Kurt Hübner suggests, "the world money market is [now] not merely a place where portfolios are optimised: since the late seventies, the money market itself has become a genuine realm for the valorisation of capital" (Hübner 1991: 58-9). Financial transactions are no longer undertaken merely - even primarily - to facilitate productive investments. Monetary assets now act as commodities in their own right and, as such, increasingly are traded for purely speculative purposes (Watson 1999a).

The fact that speculation has become *the* major impulse for transacting financial business has been both a consequence and a cause of significant developments within the international economy. On the one hand, speculation has been facilitated by prior market liberalisation. In general, speculative price formation reflects increased incentives to hold liquid funds for future portfolio investments (Harvey 1999: 201), and incentives of this nature have been provided by the systematic withdrawal of institutional constraints on capital flows. On the other hand, the mere existence of profitable speculative bubbles has offered further encouragement for those intent on retaining capital in the most liquid form possible. This self-reinforcing relationship between heightened liquidity preference and increased speculative activity has been the trigger for a massive reallocation of funds away from productive investments. Such has been the trend towards non-productive investments that it is little exaggeration to talk of a truly 'exponential' increase in the volume of international financial market trading over the last thirty years.

Nowhere are such developments more obvious than on the world's currency markets. With the extreme liquidity of these markets offering almost instantaneous profits to those capable of identifying the prevailing market mood, the volume of currency market transactions as a percentage of world trade doubled in only five years between 1987 and 1992. Moreover, if current projections turn out to be anywhere near accurate, it will take less than a decade for that figure to double again (Strange 1999). The *annual* volume of world trade is now less than five times the *daily* volume of currency market transactions (Busch 2000: 49). Every day, turnover on the foreign exchanges is now greater than the whole of the central bank currency reserves of all IMF member countries in aggregate (Martin 1997: 19). This must be the most sobering of thoughts for contemporary public policy-makers. For, it suggests that intensive bouts of one-way speculation, designed specifically to 'pick-off' individual currencies, will always succeed in overwhelming domestic governments' stated policy objectives (Watson 1999a: 64). Given the sheer weight of capital which can be deployed against a particular currency, no amount of concerted central bank resolve would ever appear sufficient to stave off co-ordinated market attacks.

Could it be possible to provide a more chilling indictment of the policy travails associated with globalisation? According to the conventional wisdom to which policy-makers throughout the west now increasingly subscribe, the answer is a pretty definite 'no'. However, my aim is to caution against such a conclusion. I argue that the disciplinary effects which result from speculative price formation can be explained without reference to globalising tendencies. Indeed, I go further to condemn the indecent haste with which 'globalisation' is introduced as a causal phenomenon capable of capturing all current economic trends. It is precisely this rush to attribute all contemporary economic policy-making dilemmas to globalising dynamics which prevents a clearer understanding of the actual constraints which speculative currency attacks are able to impose on autonomous macroeconomic policy.

Speculative activity poses a significant threat to the independence of national policy-makers, not because it is evidence of globalisation, but because of its capacity to become self-fulfilling. Indeed, there is a very real sense in which financial markets that operated in the manner suggested by the conventional wisdom of globalisation could actually mitigate against the development of self-fulfilling dynamics. The conventional wisdom is founded on the assumption that individual investors now conduct "a kind of global plebiscite on the monetary and fiscal policies of governments issuing currency" (Writson, cited in Wiseman 1996: 95). The mere existence of access to computer links which relay statistical information about the current state of the market is considered sufficient to enable a global equilibrium price to emerge. At no stage is the prevailing market 'mood' thought to be conditional upon personal contact between those whose investment decisions ultimately determine the underlying price level. Clearly, however, such a conclusion requires for faith in 'invisible hand' assumptions to be privileged over all available evidence. Self-fulfilling dynamics positively thrive in the intimate environment of face-to-face discussions conducted between investment brokers.

Autonomous monetary policy-making does not fall foul of the emergence of global equilibrium prices driven solely by underlying market fundamentals. Global 'invisible hand' analogies of this nature are wholly inappropriate to explanations of governments' increasing inability to intervene in line with an 'optimal' exchange rate policy. Rather, any sense of government helplessness is more accurately linked to the joint initiatives of a number of highly-leveraged investors acting in concert with one another. Such actions may be consistent with the state of underlying fundamentals, but that is by no means a necessary condition for the success of speculative attacks. Much more important is the ability of investment managers to move available capital assets onto the same side of the market at the same time. Unlike the textbook examples of a model economic market, financial assets are not priced in a context in which supply and demand are independently given (Soros 1999). Rather, price formation reflects the general perception of market possibilities. Self-fulfilling dynamics are but one manifestation of a market possibility, and are activated when the demand for a particular asset is deliberately structured in line with the desire to force a specific price movement. It is this pricing structure which enables investment managers to suspend the ‘laws’ of the market and exploit concerted one-way betting. The incentive for investing significant quantities of money on one side of the market only is clearly increased in circumstances in which the most likely nature of the dominant market trend is effectively known in advance (Watson 1999a). Such knowledge derives directly from the development of close personal relationships between investment managers operating within the same market environment.

The tendential loss of policy-making autonomy is rightly attributed in public discourse in Britain to an increase in the range of market possibilities. However, that same discourse then errs in its suggestion that such an increase is due entirely to the new ‘reality’ of global capital flows. In fact, the heightened range of market possibility currently being presented to investment managers results from there being no such thing as an independently given market ‘reality’. Rather, that reality is an active part of *their* creation (Soros 1997). Market possibilities seem so great in the context of self-fulfilling dynamics because market actors are responsible for effecting their own possibilities.

As such, the story of the public policy-making dilemmas associated with the currency markets’ ability to overwhelm governments’ stated policy preferences is not merely a story of globalisation. It is not even primarily a story associated with the emergence of a global market. Such outcomes result from the everyday operation of much more parochially based markets whose pricing structure is dominated by speculation. The fact that the daily turnover on the world’s currency markets now exceeds the exchange reserves of all IMF member countries put together may well make for headline news. Yet, despite much talk of this being symptomatic of the political 'power' of economic globalisation, it would be a mistake to think that contemporary currency crises represent a grand global stand-off between all the advanced industrialised nations acting in tandem on one side and all the world's speculators acting in tandem on the other. It requires much less than that for the markets to get what they want in terms of fundamental realignments of international currency prices. All the available evidence from recent episodes of currency crisis suggests that the trigger for the critical juncture is not the market moving as a whole, but a limited number of highly-leveraged investment managers seeking to reposition themselves in relation to the rest of the market. Optimal exchange rate policies are not blown off-course by the gradual emergence of a new, potentially more stable, global equilibrium price. States seem ever more beleaguered because of the increased frequency with which small groups of investors make decisive interventions aimed at recasting the prevailing 'mood' of the market. The only hurdle which investors have to overcome to enable them to encourage concerted one-way betting of this nature is gathering together sufficient funds to kick-start a new market trend. Given the underlying context of capital liberalisation, however, individual investors have acted on the basis of heightened liquidity preferences to effect a massive reallocation of assets towards non-productive investments. This has ensured a guaranteed flow of funds to back whatever short-term position is considered most profitable. Constrained policy options are therefore linked less to capital globalisation than they are to capital liberalisation.

These two trends are therefore conceptually distinct in a way which the dominant discourse overlooks. This suggests that the analytical foundations on which the conventional wisdom is constructed are in urgent need of rethinking. I turn to this issue in the following section.

Capital Mobility: Spatial Versus Functional Interpretations

Insofar as financial markets must continue to figure prominently in descriptions of constrained policy autonomy, the above analysis has shown that such constraints relate to the sheer volume of contemporary financial transactions. However, this does not tend to be the notion of causality which is highlighted in the conventional wisdom. The dominant public discourse elides the distinction between the *extent* and the *nature* of recent financial market restructuring so as to treat the precipitous rise in activity on the world's foreign exchanges as unequivocal evidence for globalisation. As such, the significance of restructuring dynamics is typically linked solely to the introduction of a truly disembedded space of economic activity. Technological arguments take precendence over those of a more political persuasion (although see Underhill 1997), in that it is now thought to require merely the flick of the cursor to transfer any amount of money denominated in any national currency to any market in the world (see, for instance, Greider 1997). According to Jan Aart Scholte, for instance, the activity which is processed through the foreign exchanges now takes place on a fundamentally 'supraterritorial' plane. Written into such an assumption is the assertion that, "Global relations are not links *at a distance* across territory but circumstances *without distance* and relatively disconnected from particular location" (Scholte 1996: 49).

Yet, as the preceding discussion of self-fulfilling dynamics made clear, if global relations are to be understood as being 'without distance', then the most important fact of our historical moment is the extent to which financial market relations resist being characterised as 'global'. The speculative trading which dominates these markets is conditional upon close, and highly personalised, networks of investors forming within specific markets situated in specific locations. Even within financial markets, then, the compression of time and space is necessarily limited. However, such limits do not apply in the sense that "capital must eventually touch down in distinct places" (Mittelman 1996: 229). For, the increased use of assets purely to fund portfolio investment suggests that a greater volume of capital than ever before does not now 'touch down' *at all*, certainly in respect of it failing to be made concrete into productive investments (Watson 1999a: 61). Rather, the limits of time/space compression should be understood in terms of the face-to-face contacts that need to develop before perceptions of the most likely future market trend are turned into concerted momentum trading.

Contrary to the conventional wisdom, then, the physical barriers which demarcate different markets have retained significant economic meaning. This is because the physical environment which distinguishes one market from another also serves to enforce personal ties which those who operate in that environment share and those who operate elsewhere do not. Irrespective of the pervasiveness of assumptions about capital's hypermobility, it is the physical *proximity* of the context in which investment managers work which enables them to exercise an effective veto on governments' monetary policy autonomy, not the assumed spacelessness of that context. For, it is the intimate nature of their work environment which allows investment managers to co-ordinate their activities; thus, reducing the risk of being caught on the 'wrong' side of the market, and therefore increasing the incentive to back the emerging market trend. Of course, any shift in the risk structure of a market which serves to de-sensitise investors to the underlying level of risk can only be expected to increase the activity within that market (Watson 2000a).

In this respect, assumptions about capital's hyper*mobility* must give way to ones about its hyper*activity*. The qualitative novelty to be found in the operation of contemporary financial markets is not globalisation. Rather, it is the sheer scale and range of the assets which are now traded on them. Moreover, the ideological structures which have sustained the legitimacy of the financial markets in the face of growing public dissent (see Gill 1994; Gills 1997) continue to be aimed in the first instance at defending their right to be active *per se*, rather than their right to enjoy a global reach.

However, whilst public debate continues to concentrate on capital's ever expanding spatial horizons, the speculative attacks which emerge from within local markets and which subsequently pose such a threat to the autonomy of national policy-makers seem destined to remain relatively unexplored. Certainly, the Blair Government appears to be in no haste to look beyond the perceived reality of globalisation to focus instead on the actual reality of self-fulfilling speculation. As a result, New Labour's articulation of feasible public policy-making continues to highlight the possibility that transaction costs have been reduced to such an extent that currency trading now takes place within a totally disembedded space of capital flows. It is this radical spacelessness which is assumed to mean that a strategic re-regulation of the foreign exchanges is out of the question. Investors are believed to enjoy limitless access onto whichever financial market they care to trade from, and this has enabled them to profit from information about fluctuating interest and exchange rates, wherever in the world such fluctuations emerge.

However, in recent years, it has become increasingly evident that speculative activities are not directed solely at existing differentials between countries in terms of interest and exchange rates. Vast sums of short-term assets are moved in anticipation of emerging differentials; indeed, physically to force the market trend into line with the dominant anticipation of where the next big profit opportunity is to be found. The volume of short-term capital movements associated with contemporary currency crises is out of all proportion to the underlying imbalance in macroeconomic fundamentals in existence before the onset of speculative activities. It is speculators themselves who whip up monetary storms by triggering capital movements of such magnitude that adjustments in both interest and exchange rates must follow. It is capital's hyper*activity* then - the sheer weight of financial transactions now dominating the foreign exchanges - which has set a monetary context that acts as an impediment to autonomous policy-making. Therefore, it is fundamentally to misdescribe such constraints to attribute them instead to increased mobility options associated with globalising tendencies. A high degree of market leverage resulting from the concentration of massive amounts of funds and a high degree of spatial leverage resulting from the globalisation of economic relations are *not* one and the same thing.

As such, it is necessary to look beyond the conventional wisdom - and in particular its focus on capital's *spatial* mobility - in order to understand those tendencies that are most commonly linked to globalisation. Indeed, insofar as 'globalisation' is assumed to refer to a totally disembedded space of capital flows, I suggest that it is almost certainly necessary to look beyond such a characterisation altogether to explain the public policy dilemmas associated with the recent restructuring of international financial markets. Claims for the significance of globalisation are typically grounded in assumptions about capital's increased spatial mobility. In place of both, however, I seek to develop a rather different appreciation of the constrained environment in which public policy-makers currently find themselves. The most important issue here is recent changes in capital's *functional* mobility. As is made clear in the palpable disparity which now exists between the volume of funds being prepared for productive and non-productive purposes, the heightened liquidity preferences of those holding capital assets has fundamentally redefined the dominant circuit of capital. To an ever greater extent, that circuit now both begins and ends within the money markets. The degree to which portfolio investment now completely overshadows all other demands for money (see Harvey 1999) provides the most telling indication of the functional form in which the vast majority of capital is currently maintained.

As a consequence of this fetish for liquidity, capital shortfalls have become increasingly evident in productive sectors throughout the west. Yet, as the above analysis has shown, it is a mistake to try to attribute productive capital shortage simply through reference to some innate 'logic' of globalisation. The appeal, then, should not be to an 'inevitable' relocation dynamic, whereby capital departs the high-wage, high-cost locations of the west in search of lower-cost locations on the newly industrialising periphery (see Wieczorek 1995; Thompson 1995). Yet, of course, it is precisely this sort of appeal which makes headline news throughout the western world, and which features so prominently in the notion of constrained autonomy currently articulated by most western governments. The assumption that globalisation equates with direct head-to-head competition between individual countries for a fixed share of world jobs has led to an increase in the use of 'survival of the fittest' metaphors in public policy-making discourse (see Watson 2000b). Evidence of productive capital shortage is thus most commonly read as evidence of an inability to survive in this new competitive environment. Here, by contrast, I overlook such arguments about capital's new-found spatial reach and suggest that capacity shortfalls are better explained with reference to the functional mobility of capital.[1] Put simply, productive capital shortage is the result of the current international financial regime providing a range of incentives for rationally-acting, profit-seeking capital investors to concentrate an ever larger proportion of their investments in financial assets. That regime is neatly captured by the term 'hyperliberal'. A whole generation of politicians have systematically relaxed the regulation of international financial markets, and this extreme liberalisation has served to exaggerate the possibility of making profits out of money. Set in such a context, it is hardly surprising that capital is now overwhelmingly maintained in the functional form of money. When highly liquid assets present the best available returns, it is highly liquid assets which will tend to be traded with greatest vigour.

Financial Futures and Further Functional Immobility

Moreover, it is not only through the world's currency markets that increased liquidity preferences have led to capacity shortfalls in productive sectors. Neither are such markets alone in having released self-fulfilling speculative dynamics which have been responsible for overriding the policy autonomy of national governments. Both tendencies can also be observed in the operation of derivative markets in financial futures.

The emergence of derivative markets, although a relatively recent phenomenon, has occurred at a pace which has made the growth of other financial markets appear sluggish in comparison. For instance, it took fourteen years from 1985 for the traded volume of international currency transactions to increase ten-fold. Yet, a similar increase on the

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[1] This is a tendency which is already particularly acute in Anglo-US forms of capital regime (on which point, see Driver 1996a, 1996b; Watson & Hay 1998).

derivative markets for interest rate futures and options took just six years from 1986 (Hirst & Thompson 1996: 41).

The allure of derivatives trading comes in the offer of almost perfect liquidity (Carlton 1984: 254). The derivative contracts which have succeeded most often in displacing their cash market equivalents have tended to be those which are the most liquid in relative terms (Fitzgerald 1993: 3). In these markets, the total open positions for financial futures regularly exceed those in the associated securities markets. As a consequence, prices in cash markets now frequently reflect trading in the related derivative market. This, of course, represents a complete reversal of the economic 'logic' of futures trading and, indeed, the whole raison d'être of such markets. Futures trading is now instrumental to the process through which prices are formed on cash markets (Carroll 1989: 1; Houthakker & Williamson 1996: 279; Steil 1994: 2). The demand for futures contracts is therefore much more than the 'derived' demand symptomatic of a secondary market. It now forms the basis of the demand in what *was* once the primary market. As such, futures markets would appear to have the capacity to discipline the very same cash markets which themselves have proved to be able to discipline ostensibly autonomous domestic economic policy-makers. An increasing amount of capital is not only being spent on monetary rather than productive assets. It is also being directed in ever larger quantities towards the purchase of money substitutes.

These effects are grounded in restructuring which has facilitated the consolidation of highly liquid assets as the dominant functional form in which capital is now held. Once again, there would seem to be no need to appeal to the notion of 'globalisation' in order to explain such trends. In the previous section, it was shown that the most important causal dynamic in relation to public policy constraints was capital liberalisation rather than capital globalisation. Here, it is equally clear that further limits on governments' room for manoeuvre have been imposed by financial innovation and not financial globalisation.

We may well be able to see outcomes which are entirely consistent with those that globalisation are assumed to produce. As such, a story of the long-term effects of capital's spatial mobility can be made to appear highly convincing. There are numerous examples, for instance, of its predictions supposedly coming 'true'. There can be little doubt that western workers *are* currently under-utilised amidst a developing tendency towards demand deficiency within the labour market. Both mass unemployment and the increasing casualisation of work throughout the advanced industrialised world suggest as much. Similarly, labour *is* becoming ever more subordinate to capital. Statutory trade union rights are being dismantled in the west at exactly the same time that western multi-nationals are heightening their exploitation of sweatshop economies in the developing world. However, evidence of effects which are commensurate with those of the globalisation hypothesis is not necessarily evidence of globalisation as causal phenomenon. The fact that western labour markets currently fail to clear quite so conspicuously is not because of direct wage competition from newly industrialised economies with a comparative advantage in labour costs. Politically resonant talk of 'sclerotic' tendencies may well confirm the stranglehold which liberal ideas currently exert on the public policy-making imagination (on which point, see for instance Pierson 1992). Yet, it does little beyond that. For, such talk remains silent on the real problem of systemic capital shortage in productive sectors.

It is this latter tendency which the development of a whole range of derivatives markets has done much to promote. There is a clear link, then, between futures markets which act to impede the full circuit of capital and a situation in which labour supply consistently exceeds labour demand. It is the process through which the dominant circuit of capital both begins and ends within the financial markets which leads not only to labour being underutilised, but also enhances its susceptibilities to the political demands of capitalist class actors. The development of a range of markets in financial futures deepens such a process and, as such, enhances the state's inability to redraw the balance of the capital relation in the interests of labour.

Derivatives contracts allow highly-leveraged investment managers to cover the downside of their speculative bets. Trading in futures markets revolves around prices which reflect some average of the beliefs of market participants (Carlton 1984: 241); a fact which presents traders with a hands-on influence in price formation. This in itself is sufficient to serve as 'advance warning' of the direction in which the market is most likely to move. In addition, the ease with which investors can now trade simultaneously in related primary and secondary markets has increased still further the ability of fund managers to lock-in a desired market trend.

A single example is perhaps all that is necessary to illustrate such dynamics. Hedge funds used the immense amount of leverage that they can command as soon as their intentions become known within the market to try to ride on the back of the Asian financial crisis for their own profit making purposes. In October 1997, with a number of forced devaluations already under their belts, the world's currency markets turned their attention to the peg between the US and the Hong Kong dollar. In an attempt to pressurise that peg by forcing up the value of the American dollar, hedge funds stepped up their demand for US Treasury bills. This they did by selling short $30 billion worth of Hong Kong stocks on the futures markets (for a more detailed discussion of such dynamics, see Krugman 1999). With such a simple move - albeit one available only to the most highly-leveraged investment managers - the hedge funds effectively covered all eventualities. Their strategic use of the futures markets was driven by the expectation that the additional demand for US dollars would lead to the collapse of existing currency pegs and a subsequent devaluation of the Hong Kong dollar. In such circumstances, the hedge funds stood to make enormous gains from being able to buy back 'cheaper' Hong Kong dollars with the profits from their previous currency tranactions. Moreover, the situation looked no less rosy for them in the event of the Hong Kong monetary authorities resisting the devaluation by pushing up interest rates. In this latter environment, the price of local stocks would be bound to fall. Any loss of value in the stockmarket would subsequently reveal the funds' short position on the associated futures market as highly advantageous. Either way, the investment managers stood to make an awful lot of money from their trade in derivative contracts. Equally, however, irrespective of the response of the Hong Kong Government, the reconstituted financial environment which emerged in the wake of that response would be detrimental to the smooth flow of new productive investments. The gains which the hedge funds stood to make in the futures markets represented simultaneous losses in the labour market.

Clearly, then, the onset of self-fulfilling speculative attacks triggered through the futures markets has a range of significant knock-on effects. It is perhaps the supreme irony of derivatives trading that the extensive use of such instruments, ostensibly for the purpose of risk management, actually increases the underlying level of uncertainty in other areas of the socio-economic system.[2] Thus, the new world order of financial futures is one which injects fundamental *dis*order elsewhere within society. Given the observations of textbook economic theory, there seem to be few obvious flaws in the assumption that futures markets should act to *stabilise* cash markets (see, for instance, Carroll 1989 :14). It appears eminently plausible for the risks associated with unpredictable short-term movements in cash prices to be redistributed through passive hedging operations; thus allowing for portfolios to be 'immunised' through offsetting actions in related markets. Viewed through this perspective, futures seem to offer only positive benefits to overall economic management.

However, the understanding of general equilibrium to be found in orthodox financial theory is limited to that sphere alone. The world outside the financial markets is deemed either not to exist, or not to matter. In particular, no account is taken of the interaction between the financial and the productive sectors of the economy. Silence prevails where

[2] However, there is no guarantee that this is of any concern to those engaged in such transactions.

a more rounded theory would have much to say about the way in which futures markets have been the progenitor of new systemic risks elsewhere within the international economy. Far from being solely the agent of risk management they appear as in orthodox financial theory, derivatives contracts impart new disequilibrating effects onto productive sectors. Perhaps the most important outcome of the ensuing effects of capacity shortfalls has been the willingness with which western governments have come to play the inward investment game.

'The Chase Is On': Footloose Firms and FDI

Quite clearly, New Labour's concerted efforts to attract inward investors are entirely compatible with its insistence on setting the public policy debate within the context of assumptions about capital's hypermobility.[3] Indeed, any indication that foreign direct investment flows are on the increase enables the Blair government to present 'evidence' that the world we experience every day is much the same as that predicted by the globalisation hypothesis. Foreign direct investment has been routinely constructed as an 'inevitable' effect of economies becoming ever more interdependent (see Watson 2000b). Thus, the increasing penetration of the British economy by inward investors is seen to

[3] In this respect, there is little which we could identify as being qualitatively novel about the Blair Government when its actions are compared with those of its immediate predecessors.

confirm both the reality of 'globalisation' and the 'common-sense' nature of the government's argument about globalisation's political logic.

The Blair government's attempts to rationalise its own acceptance of globalisation's perceived necessities through appeal to the 'realities' of inward investment may, however, require rather closer scrutiny. Under the glare of anything other than the most casual of empiricism, the connection between inward investment and globalisation is more tenuous than that implied by the conventional wisdom. As John Dunning suggests, the main motivation for high-tech multimationals to extend the scope of their production activities through foreign direct investment is to establish a presence in each of the three major regional trading blocs (Dunning 1996: 12). Unless it is to be argued that the processes of globalisation and regionalisation are conceptually indistinguishable, it is almost certainly a mistake to attribute recent inward investment activity purely to globalisation. Indeed, given the actual pattern of observed capital flows, talk of its limitless spatial reach is misplaced. Only one in six of these supposedly 'global' investments are either sourced or received outside of the core economies of the advanced industrialised north (Busch 2000). The sudden surge in inward investment since the 1980s (see Bairoch 1996) has not seen capital flow down spatial gradients to the lowest-cost location. In fact, and as outlined in Chapter One, the south's share of foreign direct investment is now smaller than it was at the end of the Bretton Woods era (Wade 1996). Globalising tendencies are typically assumed to have created a world of unlimited exit options for capital. Yet, presuming that their inward investment strategies are indicative of more general trends, the owners of capital would only seem to be interested in taking advantage of such options in order to re-concentrate their activities in the relatively high-cost production circuits of the north (Krugman 1991; Wieczorek 1995). In general, then, claims for globalisation rest uneasily alongside actual inward investment flows.

More specifically, there is much to doubt in terms of the Blair Government's characterisation of inward investment as a 'white knight' sector for the British economy. Inward investors have acquired such a status because they are believed to act as a stimulus to domestic firms to better their previous productivity performances. At regular intervals throughout the 1980s and 1990s, for example, the concept of 'Japanisation' has been floated as the means through which the British economy may be able to make good its productivity gap with its industrial competitors (see, for example, Oliver & Wilkinson 1992). However, the implications of more recent empirical work into Japanese inward investors paints a somewhat different picture. As Karel Williams and colleagues have argued, the Japanese transplant sector is "statistically indistinguishable from the rest of British manufacturing" in terms of its profitability and productivity rates (Williams et al 1993: 4).

Moreover, in this respect, there may be nothing particularly unusual about inward investment into Britain. As Michael Porter suggests, many multinationals only make the decision to become inward investors because their productivity advantages over domestic competitors are insufficient to enable them to supply target markets profitably without first establishing a production outlet in those markets (Porter 1990: 7-8). Dunning agrees that inward investors' success on consumption markets is linked more to their ability to co-ordinate cross-border production than it is to any integral competitive market advantage (Dunning 1993: 203). Indeed, if any evidence of such an advantage is to be found, it is almost certainly going to be superficial. In most cases, it will be almost entirely accounted for by the array of state subsidies which are offered as an incentive package for securing re-locating firms (Watson 2000b). If the Blair Government persists in linking British 'success' in the inward investment game to assumptions about the underlying competitiveness of the national economy, then it is appealing to a curious notion of competitiveness. It is clearly not the usual economic definition, couched in terms of product innovation and advances in total factor productivity. Rather, it would appear to be defined solely by the size of the 'sweetener' that the government is willing to offer potential newcomers. Without such inducements, manufacturing transplants operating in Britain have shown that they struggle significantly to out-perform an indigenous industrial sector which is consistently maligned for its lack of vitality (Williams et al 1993). As such, it is hardly credible to presume that the inward investment sector - a sector which would seem to be displaying traditionally 'British' characteristics - can act as a spur to increase the trend performance of the whole of the domestic economy. Yet, the Labour Government has proved equally as reticent as its Conservative predecessors in treating inward investment as anything other than the 'golden goose' which it dare not shoot.[4]

[4] Interestingly, the Conservative Governments felt no need to invoke globalisation arguments in order to rationalise their stance on inward investment. In their place, their concentrated only on competitiveness concerns.

It is frequently claimed, not least in official government circles, that the British economy provides something of a 'stand alone' case in relation to the debate about globalisation. Its liberal market tradition, which has created an unusual degree of exposure both to the international market in general and to the international financial markets in particular, is argued to have made the British economy more structurally compatible with globalising dynamics than almost all others. In this respect, statistics which show Britain to be the world leader in terms of the per capita attraction of inward investment flows are assumed to be merely symptomatic of wider tendencies.

World leader or not, however, such figures cannot disguise the fact of just how marginal are foreign direct investment flows for the present health of the British economy. A single illustration should suffice to dispel the 'golden goose' notion. Wales is an important case in relation to inward investment into Britain, because it has been more successful than any other part of the British economy in attracting footloose foreign firms. No visitor to any British airport or mailine railway station with connections to South Wales can fail to notice the way in which the Welsh Development Agency markets the 'vibrancy' of the Welsh economy *specifically* through its successful pursuit of inward investors. Nonetheless, the actual figures suggest a less than perfect correlation between rhetoric and reality. The following statistics relate to 1991: a time at which the prevailing economic environment should, if anything, have *over*stated the significance of FDI. Cyclical fluctuations had pushed the Welsh economy to the bottom of a recession, with employment levels in domestic sectors consequently well below their trend rate in relation to those in transplant sectors. At the same time, as the date for the completion of the European Single Market neared, firms from outside the EU were attempting to establish a production foothold in Europe to take advantage of the imminent expansion of the European consumption market. At this time, then, the sudden acceleration in the dynamics of European integration would surely have raised employment levels in transplant sectors well above their trend rate in relation to those in domestic sectors. Yet, such tendencies notwithstanding, the whole of the Asian-sourced manufacturing sector operating in Wales in 1991 employed just 12,000 people (Morris 1995: 60). Despite the fact that investments sourced from this region continue to be those which are promoted most vigorously as newsworthy events by the Welsh Development Agency, this amounted to less than 1% of the Welsh workforce. Moreover, given that the average pay levels in these companies was below the Welsh average (Simpson and McNabb 1994), this translated into only 0.7% of Welsh consumption potential (Watson 1997).

This is hardly unambiguous evidence that the reality of globalisation has made the chase for inward investment an increasingly crucial element of running a successful economy. Nor, for that matter, is it indicative of the 'reality' of globalisation itself. However, the major theme running through this thesis is that the uses to which the *idea* of globalisation can be put need bear little, if any, relation to its basis in fact. As Nikolas Rose puts it, "The truth effects of discourses of economic globalisation [tend to be] somewhat independent of the veracity of the analysis" (Rose 1996: 354). As such, it is entirely possible that we will continue to see actual public policy dilemmas go unresolved, primarily because the gaze of the policy-making community remains fixed elsewhere. The Blair Government, for example, shows no inclination to resist playing the inward investment game to the full, despite there being scant evidence that the gains from such a game are anything other than marginal.

Conclusion

Perhaps the single biggest impediment preventing the Blair Government from fundamentally redefining its stance on inward investment is the extent to which it has presented its current thinking on such matters through the language of 'compulsion'. Assertions about capital's new-found spatial reach have provided a context for arguing that no government can now afford the luxury of opting out from chasing footloose firms.

As Gordon Brown's first three budget speeches have all made clear, there is a growing sense of unease within the Treasury that the British economy is now suffering from systemic capacity shortfalls (Brown 1997; 1998a; 1999). As a statement of fact, there is little here to contest. What is much more dubious, however, is the government's attribution of productive capital shortage to the enhanced exit options afforded by globalisation. Moreover, its attempts to make good the capacity gap by persuading others to take advantage of *their* exit options through a strategy of competitive subsidisation are equally dubious.

The Blair Government appears to be locked-in to an understanding of capital mobility which emphasises heightened spatial reach. An altogether different conception of policy-making constraints emerges from re-thinking capital mobility in functional terms. My aim in the preceding pages has been to briefly formulate such an approach. This chapter has highlighted the problems which policy-makers face when their decisions are subjected to the effective veto of self-fulfilling speculative dynamics within international financial markets. Such problems are rooted in the way in which the dual processes of market liberalisation and financial innovation have provided additional incentives for maintaining capital in the functional form of money. Yet, these processes are generally disregarded as possible causes of capacity shortfalls and, therefore, of the constraints within which policy-makers are forced to work. Instead, all eyes tend to be focused on a third process, that of capital globalisation, which unlike the other two is grounded in spatial mobility assumptions.

In the following chapter, I explore in more detail the mis-specification of the policy environment which arises as a result of the conflation of the three distinct processes of market liberalisation, financial innovation and capital globalisation. In particular, I seek to chart both the economic and the political consequences of that mis-specification.

CHAPTER SEVEN:

HYPERMOBILITY ASSUMPTIONS AND THE POLICY LOGIC OF SELF-PERPETUATING STRUCTURAL CONSTRAINTS

The dominant discourse of national competitiveness to which the Blair Government's macroeconomic policy is oriented would appear to be founded on empirically suspect assumptions about capital's hypermobility. Globalisation is presented by New Labour as offering such limitless exit options that individual nations are now engaged in direct competition for a fixed share of footloose funds.[1] In one sense, it perhaps matters little whether it is the realities of globalisation or merely perceptions of such 'realities' which are driving the government to act in the way it does. Either way, policy outcomes are likely to be the same. However, in another sense, it matters a great deal whether the actual constraints which are so often attributed to globalisation are to be found in capital's new-found hypermobility as the globalisation hypothesis contends, or whether they have their roots elsewhere. In the previous chapter, I argued that New Labour routinely appeals to a notion of capital's hypermobility in order to explain those effects that are in fact more plausibly related to the sheer volume of capital which is now traded as financial assets. In this chapter, I go further to suggest that the way in which the government has responded to assumptions of capital's hypermobility has actually deepened the dynamics which have resulted in its hyperactivity. Thus, by appealing to the 'necessity' of attenuating the constrained autonomy it associates with globalisation, it has been responsible for reinforcing the actual constraints which emerge from the sheer weight of funds which flow around the international financial markets.

'Exit' as Enhanced Liquidity Preference

At the heart of contemporary public policy dilemmas lies the highly liberalised environment in which financial business is now conducted. In particular, the deregulatory blitz of recent times has eliminated those transaction costs that are symptomatic of more restrictive controls on capital flows. As a consequence, investment managers have experienced few difficulties in being able to satisfy heightened liquidity preferences by maintaining profitable assets in the functional form of money.

The most important issue, then, is that of liquidity. However, in order to focus on the highly liquid nature of most contemporary investment portfolios, a very different notion of 'exit' has to be introduced to that which appears in the dominant discourse of globalisation (on the theorisation of 'exit', see Hirshman 1970, 1986). Set in the context of hypermobility assumptions, increased exit options correspond simply to the enhanced spatial reach of globally mobile funds (see, for instance, Ohmae 1995; Reich 1992; Levitt 1983; Sachs & Warner 1995; Greider 1997). Yet, such a characterisation allows us to say nothing about the actual policy-making dilemma posed by heightened liquidity preferences. Globetrotting funds are not necessarily liquid funds; decommodified

[1] Perhaps more precisely, such options are assumed to be presented by states pursuing the most orthodox

productive assets which have been converted back into money *are*. Capacity shortfalls are therefore linked less to a lack of spatial constraints on productive mobility in an era of globalisation, and more to the decisions taken by investment managers to overlook productive circuits of capital altogether (Watson 1999b). When we talk of increased 'exit' options, then, we need to resist the image of productive capitals forever relocating in search of a more profitable home (see Wieczorek 1995). Rather, 'exit' impacts most significantly as a public policy constraint through the way in which the money markets now allow investment managers to maintain profits whilst opting-out entirely from the preparation of 'dedicated' long-term productive capital. The moment that financial assets are made concrete through the acquisition of corporate equity or debt, those assets become tied into a binding relationship with that company. A 'dedicated' supply of productive capital thus compromises the future options of investment managers by locking-in otherwise fluid assets (Watson & Hay 1998). It is this process of 'dedication' and 'locking in' which financial liberalisation has made it possible to bypass.

Of course, much has already been written about the perennial shortfall of 'dedicated' capital within the British economy. Such a condition features prominently in an extensive literature on British decline; a significant element of which emerged long before the trend towards financial liberalisation. This literature is founded on the assertion that the distinctive trajectory of decline experienced by the British economy in the post-war period can be traced to the peculiar dislocation of financial and industrial

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neo-liberal economic policies within the context of globalisation.

capital and, in particular, the persistent ascendancy of the former within the policy-making environment (Nairn 1976, 1993; Anderson 1992).

The institutional structure of Britain's financial system has been progressively embedded over the last century and more through the resolution of a series of political struggles. What has emerged is a structure which, throughout the post-war period, has been seen to impede the supply of 'dedicated' capitals for British production markets (Pollin 1995). The high liquidity demands of London's money markets has ensured a general reluctance to free up capital to fund long-term projects. The City has consequently been held to account as a structural constraint which has consistently stood in the way of industrial modernisation (Ingham 1984; Leys 1986; Hirst 1989; Cowling & Sugden 1990; Hutton 1996; Woolcock 1996). Britain's highly developed and increasingly liberalised capital markets have encouraged portfolio investments which bypass the concentrated purchase of corporate equity so typical of other national capitalisms (Zysman 1983). Assumptions of 'British exceptionalism' thus emerge in the contrast between capital-market based and bank-based financial structures. British capitalism appears particularly distinctive in its lack of a commercial banking sector explicitly committed to consolidating large amounts of domestic firms' debts into single portfolios. Such strategies have enabled banks in other countries to reduce the risk associated with making funds available to any one firm. As a result, these banks have shown themselves willing to engage actively with the capitalisation of new productive investments, and certainly much more actively than comparable institutional investors in Britain. In addition, they have also teamed up with national governments to provide exactly the sort of low-cost credit that has tended to prove elusive for British firms.

Under the watchful eyes of state supervision, bank/industry partnerships have flourished in a number of national economies (see Zysman & Tyson 1983; Albert 1993; Orrù 1993; Gourevitch 1996; Porter 1996). By comparison, the British economy has historically displayed a distinctive lack of integration between its financial, productive and state spheres. British producers have consequently had to approach London's capital markets in search of investment funds (see Lonsdale 1997) knowing that there are no state-sponsored compromises to shelter them from the markets' competitive instincts. Thus, the assets which they hope to turn into new productive capacity tend to be priced in line with the interests of the financial sectors rather than their own (Watson 1999b: 138). This has ensured that loan repayment terms have typically been very different for British firms operating on London's capital markets than they have been for overseas firms operating in bank-based financial systems (Lee 1996). The markets' overriding desire for liquidity has guaranteed that the average British firm has faced higher capital costs than those of almost all its industrial competitors. It has been the exceptionally short time periods over which British firms have been expected to repay capital loans sourced on London's money markets which has done most to undermine successful industrial regeneration strategies.

Of course, such a conclusion refocuses the analysis on the importance of increased liquidity preferences. This is because the shorter the time horizon over which loan repayment terms are set, the more liquid is the form in which the original capital asset was held. By the same token, the shorter the time horizon over which loan repayment terms are set, the easier it is for asset holders to terminate existing economic relationships. As such, it is clear that increased liquidity preferences and increased ‘exit’ options are two sides of the same coin.

In general, economic relationships in which one party has a well-defined ‘exit’ option, while the other does not, are unequal relationships. The owners of highly liquid financial assets possess a range of opportunities to ‘exit’ the production circuit in which they currently operate. In such circumstances, industrial interests are effectively powerless to prevent financial interests unilaterally setting the nature of their relationship. The ability of financiers to ‘exit’ into a dominant circuit of capital which both begins and ends in the money markets thus substitutes for a politically mediated resolution of the competing interests of finance and industry (Watson 1999a). Indeed, investment managers’ ability to destabilise production merely by *threatening* to play the ‘exit’ card in this way is sufficient to grant them an effective veto over states’ industrial strategies. The capacity of international financial markets to satisfy all but the most extreme liquidity demands has ensured that the newly liberalised financial environment is one which is dominated by ‘exit’ as a means of exercising influence.

As ‘exit’ from the production circuit has become ever more established as a manifestation of economic power, former industrial heartlands have been increasingly ‘hollowed out’ (see Lash & Urry 1987; Gottdiener & Pickvance 1991; Cooke 1995). In the context of post-war British politics, the prolonged recession of 1980-1982 offers the most vivid example of accelerated deindustrialisation. One-third of the total manufacturing capacity of the British economy was wiped out in a single three-year period (Martin 1986; Pollard 1992: 394-5). Note, however, the timing of that recession. The effects of financial liberalisation were being felt in a period which clearly pre-dated any public acknowledgement that the British economy was being subjected to globalising tendencies. This provides further evidence that the two are by no means synonymous. It is financial liberalisation, and *not* globalisation, which has increased the rate at which productive capital has been decommodified and converted back into the functional form of money. As such, assumptions of state crisis which focus on the geographical mismatch between the dominant circuit of production and the nation state are misplaced. As I argued in the previous chapter, those effects that are so often associated with a newly dominant global circuit of production are actually the result of the fact that production no longer dominates the circuit of capital at all.

The above sketch of the decline literature suggests that, in relation to Britain at least, such a situation is by no means unusual. British capitalism has long been argued to display a series of generic tendencies which the processes of international financial liberalisation serve merely to exacerbate (Watson 1999b: 125). Such tendencies are reflected in: a macroeconomic policy-making process which institutionalises the interests of financial over productive capital; a banking system which rarely makes capital available to industry on a competitive basis; and a body of company law which militates against long-term productive investments (Watson & Hay 1998: 409). The institutional legacies of British capitalism thus provide a ‘good fit’ with subsequent liberalising dynamics. Essential elements of continuity can therefore be identified in the way in which international financial deregulation has impacted upon the British economy.

To identify continuity within restructuring dynamics is *not*, however, to deny the simultaneous existence of change. A significant degree of change *is* visible, for instance, in the Labour Party’s chosen narration of the ‘imperatives’ of the new economic environment. It is to such a narration that I turn in the remainder of this chapter. Firstly, I chart those developments in Labour’s macroeconomic thinking which the party attributes directly to the imposition of global financial relations. Secondly, I argue that its policy response to perceptions of new systemic ‘necessities’ has been fundamental to a process through which the scope of its future actions has been further compromised. Through acting on assumptions of globalising ‘imperatives’, New Labour has intensified the actual structural constraints of financial liberalisation. Such constraints must therefore be seen not only as self-perpetuating, but also, to a large extent, self-inflicted.

Credibility as ‘Exit’-Enhancing

The mismatch between the perceived constraints to which the government is ‘responding’ and the actual constraints with which it is faced emerges from its articulation of increased exit options as an effect of capital's heightened *spatial* mobility. Set in such a context, New Labour's desire to establish 'credible' policy-making structures must be seen as an attempt to persuade capital to forgo any potential relocation plans. Put crudely, 'credibility' thus reduces to buying loyalty; putting in place a range of incentives which make it entirely 'rational' for capital to seal off its own future mobility.[2]

This the government has set out to do by purposefully re-designing the institutional context in which macroeconomic policy decisions are taken. Whilst undoubtedly important in their own right, changes in the institutional arrangements for economic policy reflect wider changes in the dominant political construction of the economy's systemic 'needs'. New Labour has moved beyond merely affirming Treasury orthodoxy, to the point at which it increasingly abstracts the Treasury from monetary policy altogether, because of concerns that it now has to compete with other governments on the basis of the relative macroeconomic stability it can offer footloose firms.

Of course, New Labour has placed itself in a position from which macroeconomic policy can be seen as a source of comparative advantage only because of a prior decision to understand 'exit' in fundamentally spatial terms. It is assumptions of capital's relentless pursuit of new profit opportunities which have fed the view that the state is no longer capable of delivering directly long-run competitiveness. Insofar as state-sponsored efficiency gains result from the forced restructuring of the private sector, newly footloose firms are considered certain to 'outrun' any state which takes such a proactive interest in

[2] For a discussion of the academic credentials of New Labour's use of the notion of 'credibility', see Balls

the accumulation process. As a consequence, the government now tends to act on the assumption that competitiveness concerns are to be met through private sector innovation alone. Such is the reasoning which leads the role of the state to be understood merely in terms of setting a stable macroeconomic framework for companies to operate within.

New Labour has engaged actively with the externalisation of policy responsibility, in order that it should be seen to have heightened investors' perceptions of 'stability'. The state has been used increasingly to lock the management of the economy into external enforcement mechanisms. Thus, the conventional wisdom of globalisation is found wanting once again. It is not that the capital relation bypasses the state *per se*. Rather, the state has been used to reorganise the way in which the capital relation is experienced through reprojecting the policy-making process beyond the jurisdictional space which the government is able to police. This has been most conspicuously demonstrated in the decision to cede operational control of interest rates to the Bank of England. The government's justification for depoliticising monetary policy was based on assumptions of the adverse effects that the institutional *status quo* was likely to have had on future flows of capital. Explicit political input into interest rate decisions was linked to exactly the sort of inflationary bias at which the financial markets could be expected to take fright. Exaggerated prudence has consequently been constructed as a 'necessary' government response to potentially punishing capital outflows. Hence, we witnessed the transfer of responsibility for the conduct of monetary policy. Physically, that responsibility passed "from Great George Street to Threadneedle Street" (Hennessy 1998:

1998.

7). Much more importantly, politically, it was abstracted from wider democratic structures to be placed in a merely technocratic realm.

The Bank of England may well be seen primarily as a "spokesman [*sic*] for the City" (*Financial Times,* 07.05.97: 21). However, in terms of the likely 'success' of the stated aims of the government's depoliticisation strategy, that may have been all to the good. Such a reputation could be sufficient in itself to realign private sector expectations towards lower trend inflation rates; thus, providing less reason to move capital assets out of Britain. Certainly, it was with appeal to spatial mobility assumptions that investors welcomed the government's decision to redefine the institutional context for the conduct of monetary policy.[3] The immediate reaction of John Sheppard, then chief economist at the Japanese securities house, Yamaichi International, was that "the government's credibility has been vastly improved by [such a] bold step"; that from Andrew Roberts, bond analyst at the Swiss Bank, UBS, was to remark that "it is unbelievable to gain so much credibility with such a simple move" (cited in the *Financial Times*, 07.05.97: 1). In both instances, the concept of 'credibility' serves as a synonym for a general acceptance that future policies are likely to be 'market-friendly', and therefore are less likely to promote concerted disinvestment. The task of retaining financial activity onshore has been Gordon Brown's main motivation for providing institutional arrangements which could go some way towards persuading the financial markets that the government is as sensitive about inflation as they are. Set within a context in which investment managers are assumed to have "more choice and freedom than ever before" in terms of market location (Brown, cited in Shaw 1997), inflationary expectations are believed to act in much the same manner as a one-way ticket. The judgement of the markets is thought to bring swift and powerful retribution (see Blair 1996b). As a consequence, capital which takes advantage of an 'exit' option to relocate into an environment in which inflationary expectations are lower is assumed to be capital which is lost forever. Thus, it is easy to see the significance which was attached to City perceptions that "the Bank will be a lot less tolerant about inflation than any government could be" (*Daily Telegraph*, 07.05.97).

However, much has been made in the last two chapters of the need to rethink the concept of 'market-friendly' in terms of 'liquidity-enhancing'. Inflationary tendencies are looked on unfavourably by financial markets to the extent that they reduce the liquidity of assets with anything other than the shortest of maturity times. If two assets with identical characteristics exist in different inflation contexts, the one held amidst lower inflationary expectations offers its owner the greater future liquidity options. Financial markets do not 'welcome' counter-inflationary policies because they seal off the need to exercise exit. Rather, they react so positively because the additional liquidity which comes with price stability increases the potential profitability of capital investments. As such, any outward display of diffidence towards concerns for price stability should not be viewed simply as a signal for financial activity to be forced offshore. The notion of 'exit' which is important here is that which relates to the search for short-term maturity amidst heightened inflationary expectations.

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[3] In order to capture the sense of urgency which the Blair Government placed on increasing central bank

By eradicating the party's former antagonism to demands for price stability, New Labour has reconstituted the risk structure which investors have traditionally associated with Labour governments. The decision to cede operational responsibility for interest rates to the Bank of England represents the Blair Government's most visible attempt to be seen reducing the exposure of investment managers to potentially disruptive macroeconomic trends. Yet, it is by no means the only one. Indeed, the decision to grant increased central bank independence is less important than the previous shift in the party's political priorities which served to render central bank independence such a significant aspect of its governance strategies.

The new institutional arrangements for the conduct of monetary policy explicitly endorses the move away from discretionary macroeconomic policy-making (see, for instance, Kydland & Prescott 1977; Calvo 1978; Barro & Gordon 1983; Persson, Persson & Svensson 1988; Persson & Tabellini 1990, 1995). The limits of acceptable government intervention into the economy are now assumed to be the implementation of a strictly rules-based policy. The government has fed the market with information about its intentions, publishing a series of medium-term performance indicators. The Chancellor may well have commanded most headlines for his policy of setting "an *explicit* target for low inflation" (Brown 1996, emphases added; see also Blair 1996c). However, in its desire to foster market expectations that it has established "a credible framework for monetary discipline" (Brown 1995), New Labour's inflation target is only one of many 'automatic pilots' it has adopted. Amidst much talk of 'golden rules' and 'fiscal

independence, it is important to remember that this decision was taken within a week of entering office.

prudence', the Chancellor has set standards for government expenditure and social transfers, the public sector borrowing requirement, the budget deficit and the accumulated national debt. New Labour has revived the Medium-Term Financial Strategy in all but the Thatcher Government's crudest attempts to target narrow definitions of the money supply.

Such standards tend to be rationalised in official discourse through using the language of 'locking-in' future government policy. More importantly, however, they also serve to lock-in investors' expectations of the likely liquidity ratios which future government policy will offer. In the following section, I move on to analyse the implications of the Blair Government acting as guarantor of financial market liquidity. I suggest that those implications are very different from the way in which they are presented by New Labour. Far from dampening down the disruptive nature of financial market restructuring by allowing investment managers to satisfy heightened liquidity preferences, New Labour's actions have merely accentuated such constraints.

Hysterisis Effects and Demand-Induced Inflation

As a rule, decisions taken in the present help to shape the context within which the future is experienced. In short, 'history matters'. This is as true for tomorrow's history (which was created today) as it is for today's history (which was created yesterday). Contemporary macroeconomic policy is conditioned by the contingently unfolding histories of previous macroeconomic policies. Each iteration of the historical process imposes parameters on what will be possible in the future. Thus, there is no reason to doubt that the Blair Government is constrained by the policies its Thatcherite predecessors enacted. By the same token, there is every reason to believe that the policy decisions which New Labour has already taken will re-emerge as structural constraints on its own intentions before its time in government is up. As such, history must be seen as process.

However, the notion of history to which the Blair Government appeals rests uneasily alongside such a claim. For one thing, history tends to matter to New Labour only to the extent that a particular reading of it can be called upon to force a binary opposition between itself and Old Labour. For another, the conventional wisdom of globalisation which New Labour uses to sustain such an image of qualitative novelty invokes a Fukuyamian sense of history's 'end'. Domestic political and international economic concerns thus combine to announce a decisive break with the structures of the past. The notion of history as process is consequently sacrificed amidst assumptions of paradigm shift.

Perhaps most significantly in this respect is New Labour's use of the idea of globalisation in an attempt to make such assumptions resonate in public discourse. For, the conventional wisdom is constructed on a specific understanding of the market from which the very possibility of path-shaping histories has been abstracted altogether. Globalising tendencies are assumed to have produced a single, world, economic system. That system can always be expected to return naturally to positions of *ex-ante* equilibrium following the emergence of temporary disturbances to its constituent parts (see, for instance, *The Economist* leader, 21.08.99). As a consequence, the system is assumed to be able to determine that changes forward or backwards in time will be perfectly symmetrical, in line with natural rates of both output and employment. As Rod Cross suggests, "History, according to the natural rate hypothesis, is bunk" (Cross 1996: 54).

At the very least, the assumption of contingent path-dependent histories is ruled out. Set in such a context, no conceptual space exists to theorise systemic contradictions in the governance of the global economy. Hence, distinct limits are placed on the use of the concept of 'crisis'. Certain elements of the system - that is, certain economies - may experience downturns which last into the medium-term. The former 'tigers' of East Asia are currently classic examples of such cases. Yet, the system as a whole is assumed to contain self-correcting mechanisms, whereby one part is able to compensate for an adverse disturbance in another. For instance, a global recession has been averted despite the turmoil in East Asia mainly because the strength of the US economy has acted as a counterweight to slack in other markets.

New Labour's current macroeconomic stance certainly hints at an understanding of a self-equilibrating global system. Its insistence on 'fiscal prudence' as *the* priority of policy signals not only a desire that the British economy should avoid being the location of a future adverse disturbance within the global system. It also announces Britain as a suitable flag of convenience for whatever 'hot money' flees other trouble-spots. New Labour has thus sought financial market credibility through its attempts to re-position Britain as a likely benefactor of the global economy's self-correcting mechanisms.

However, it is precisely such assumptions of a natural global equilibrium that I have challenged throughout this thesis. Any evidence for the *existence* of a truly global system, let alone for its self-equilibrating properties, is highly suspect. As such, it is necessary to look beyond the government's own interpretation of the 'wisdom' of its prudence.

In order to re-assert the relevance of history to the current state of the economy, I dispense with the notion of natural self-correcting equilbria, preferring instead that of hysterisis. Under the influence of hysterisis effects, path-dependent outcomes remain even after the initial causes giving rise to those effects have been removed. Quite clearly, we are still party to the effects of the financial liberalisation of the 1980s, even though decisions taken to withdraw regulatory restrictions within the capital markets were taken a generation ago. Such effects are perhaps most visible today as constraints which prevent national governments from unilaterally setting their own interest and exchange rates. Equally, I suggest that the Labour Government's active attempts to satisfy additional liquidity demands within the financial sphere will add further elements to such constraints in the future. In place of the conventional wisdom's assumptions of a self-adjusting equilibrium, I seek to substitute those of self-perpetuating structural constraints.

The Blair Government has attempted to find shelter from the storms of globalisation by feeding the markets with advance knowledge of its future actions. However, that knowledge has been used to transpose the perceived storms of globalisation into a real flood of additional money towards capital markets. What is more, given the impact of liberalisation, these are markets over which the government has no control. As such, it has derived little benefit from giving the markets prior warnings of its intentions. Indeed, all the benefits would seem to have flowed in the opposite direction. Investment managers have learned successfully to reconstitute their strategies as they have come to know more about the structured context within which they operate. Moreover, with the government having created an institutional environment for locking-in 'sound money' policies, investment managers have been able to approach their decisions with an enhanced degree of certainty.

This has had a somewhat paradoxical effect. The adoption of a strictly rules-based policy is 'prudence' personified for the government, mainly because it is thought to avert the headlong rush of investors towards low-risk, high-liquidity markets. However, New Labour's success in convincing the markets of its competence to run a counter-inflationary policy has effectively reduced the risk of operating in marginally less liquid investment markets. As a consequence, it has become increasingly possible for liquidity-to-risk ratios to be satisfied without it being necessary to enter the most liquid markets. In attempting to close down 'exit' from Britain in favour of other production circuits, the government has merely succeeded in opening up new sources of 'exit' from the production circuit altogether.

It is difficult to believe that this corresponds to the initial intention. For a start, the liquidation of productive assets has been responsible for new capacity constraints emerging within the British economy. In addition, the conversion of capital into 'hot money' has pushed the value of the pound to such a height that the incentives for investing in new productive technologies has been systematically undermined (*The Guardian* 07.05.97: 16). It is relatively straightforward to find statistics to illustrate such a trend. Recent Treasury data indicate that Britain's net productive capital stock shrunk by 7% in the fiscal year 1995-1996 (*The Guardian*, 26.09.96). That is, New Labour's policy of 'sound money' threatens further to destabilise a capital formation process which was already displaying significant deficits at a point in the business cycle traditionally associated with surpluses.

Moreover, this is far from the end of the story. The Blair Government has done more than merely compound the original problem of capacity shortfalls. It has set in motion a chain of events which threaten to make matters *progressively* worse until such time that a new macroeconomic stance is adopted.[4] Every time the government announces that it has successfully achieved one of its fiscal targets, it reduces the risk associated with holding capital in the functional form of money. Equally, however, so long as incentives for investing in monetary assets are increased by supposedly 'prudent' economic

[4] By which time, it could well be too late due to path-dependent effects.

management, an increase in perceptions of relative risk will also be attached to investments in the real economy. Such perceptions combine with a cultural commitment to profit-maximisation to ensure a general reluctance to engage in productive investments. Set in such a context, new constraints on output are ever more likely to be capital constraints, representing a permanent loss to the economy (Driver 1996b: 122). Moreover, insofar as such constraints feed through into a subsequent inability to meet demand in all but the most deflated of domestic economies, this is also likely to represent an accelerating loss to the economy.

The defensive attitude with which asset holders treat potential investments in new productive capacity in contemporary Britain (see, for instance, Grieve Smith 1996) can, in large part, be attributed to the prevailing macroeconomic orthodoxy which New Labour has chosen to inherit from its Conservative predecessors. In effect, Labour's fiscal prudence equates to a 'reverse Keynesianism'; a 'new' demand management which entails the deliberate suppression of demand in an effort to keep price increases in check. Given the British economy's relative shortfall of productive investments, increasing domestic demand cannot be met by a parallel increase in domestic supply (see Watson 1999b: 136). This is amply demonstrated by Britain's burgeoning deficit on the balance of trade (*Financial Times*, 10.03.99), which recorded increases at every stage of the most recent economic cycle. In the presence of capacity shortfalls which are not masked by additional import penetration, any element of excess demand which cannot be satisfied at prevailing market prices is likely to lead to inflationary price rises as product markets adjust to new demand conditions.

The irony of such a situation is clear. The Blair Government has staked its entire reputation on being able to deliver a successful counter-inflationary policy. Yet, it is precisely the raft of counter-inflationary legislation it has introduced which has widened existing capacity gaps, which in turn are now the source of *in*flationary tendencies within the economy.

Of course, such tendencies have an altogether different origin to those which the Chancellor believes he is counteracting with his exaggerated prudence (Friedman 1956). The changed institutional arrangements for monetary policy-making, coupled with the continued invocation of the dangers of "wage irresponsibility" within the public sector (see Brown 1998b), has served to concentrate the anti-inflationary effort on the money supply. Contrary to the conventional wisdom, however, inflation is *not* 'always and everywhere a monetary phenomenon', as Milton Friedman so famously insisted. More basic definitions of price increases highlight 'too much money chasing too few goods'. Where the more basic definition offers more valuable insights into the recent British experience of inflation than the Nobel Prize-winning definition is in its addition of 'too few goods' to the 'too much money'. For, this suggests the significance of demand conditions to the underlying rate of inflation. Moreover, as Ciaran Driver argues on the basis of extensive CBI interview data, it is heightened perceptions of investment risk associated with the prospects for sustainable non-inflationary demand growth which now acts as the biggest single impediment preventing British producers expanding existing capacity (Driver 1996a: 75).

However, in promoting ‘sound money’ policies to alleviate inflationary tendencies through supply-side reform, New Labour appears set to exacerbate such tendencies through reproducing demand-side weaknesses. Expectations of unsustainable non-inflationary demand growth feed through into higher expected risk levels for any given rate of productive investment, which in turn act as a disincentive to invest in new capacity. The outcome of such disincentives is quite clearly further to constrain the potential for stable non-inflationary demand growth. Thus, the cycle begins again, only this time at a higher level of capacity constraint. It is noticeable in this respect, for instance, that Gordon Brown used his first three budgets to report an accelerating degree of systemic capacity shortfall (Brown 1997; 1998a; 1999).

This, though, is a ratchet which Brown himself is at least partially responsible for tightening. The recent inflation history of Britain has been typified by an ever more vicious circle of underinvestment / ineffective supply / demand-induced inflation / inflationary expectations / underinvestment. Yet, the start-point of underinvestment is itself a reflection of the wider monetary context in which investment decisions are made. ‘Sound money’ policies effectively act to police continued underinvestment. They may well have led to successful ‘union-bashing’ in a manner consistent with the tendential eradication of residual wage-pull inflation (see, for instance, Bootle 1996). But making inflation is not the sole preserve of over-powerful union barons. Inflationary dynamics also emerge from a monetary context which provides incentives to liquidate existing productive assets, and which therefore makes subsequent capacity constraints more likely.

In its attempts to satisfy additional liquidity demands within the financial markets through pre-committing monetary policy in line with a series of targets, New Labour has given a green light for the systematic run-down of existing productive capacity. As such, by internalising the orthodox prescription for solving inflationary dilemmas on the supply-side, the Blair Government has produced the contradictory effect of inducing additional inflationary tendencies on the demand-side.

What price 'prudence' now, one could be excused for asking. New Labour would appear, not only to be perpetuating the policy constraints with which it is faced, but also tightening them. Each time that it successfully hits its pre-committed inflation target, the government has made headline news for itself. In addition, however, it has also accelerated the tendency towards capacity constraint, at the same time making similar inflation targets more difficult to hit in the future.

FDI and Self-Perpuating Policy Constraints

The image of a 'credible' government, overseeing 'prudent' economic management, is at least partially saved by Britain's continuing success in the inward investment game. This, at any rate, is the defence mounted by the Blair Government against suggestions of the contradictory nature of self-imposed monetary restraint.

Such a defence bears little by way of critical scrutiny. Its central paradox is fairly obvious. The government seeks to compete on an open market for inward investment on the strength of its commitment to 'sound money' policies. Yet, it is precisely such an orthodox macroeconomic stance which has led British producers to doubt that the domestic economy can deliver a stable, sustainable, flow of non-inflationary demand growth. It is the same policies which are presented as incentives for footloose firms to relocate in Britain which have persuaded British investors to vacate the production circuit in their home country (Watson 2000b).

Moreover, this threatens to become another self-perpetuating vicious circle. Each time the Blair Government chooses to play the inward investment game through pre-commitments to 'sound money', success in that game becomes ever more necessary. For, a pre-committed rules-based monetary policy has acted as a trigger for British investors to 'exit' the domestic production circuit as a strategy for enhancing liquidity. Ensuing capacity constraints thus require the attraction of new faces from overseas in order to make good the gap in the production circuit. However, each time that gap expands, the government becomes compelled to chase inward investors harder. But it is the manner in which the government has chosen to play the inward investment game that has been at least partially responsible for the emergence of such a gap in the first place.

Of course, it may be necessary to inject some element of caution into how the above analysis is read. I seek merely to highlight the contradictory logic on which the government's macroeconomic stance is predicated. I am not trying to suggest that *all* British firms are now engaged in a headlong rush to be the first to 'exit' the production circuit. My interests lie with the logical tendency of the macroeconomic stance as a whole, even if that tendency is currently only marginal to the overall functioning of the economy. That said, it only requires marginal movements in production norms for there to be significant consequential effects elsewhere in the economy. Production, output and employment are all integrally related, for instance, ensuring that any tendency towards capacity shortage has a major bearing on future labour market policy. As such, it is perhaps worth exploring in a little more detail the central contradictions of the government's inward investment policy.

There is now a burgeoning literature on local economic development which argues that globalising dynamics have heightened the power of 'the locality' with respect to that of 'the market' (for an overview, see Wilson 1995). Viewed through such a perspective, development strategies are increasingly being formulated in terms of deriving market advantage through aligning contingent local geographies with specialised local economic niches (see also Harvey 1989; Ashworth & Voogd 1990; Kearns & Philo 1993; Kotler, Haider & Rein 1993). Yet, if we are to believe that production has been 'localised' in this way, it is necessary that we overlook the available empirical evidence. For, on balance, this indicates that inward investment flows continue to be restricted to a strictly limited range of host economies. Since the processes of 'globalisation' are assumed to have begun, inward investment has actually been the means through which capital has been re-concentrated in the three major regional production circuits of the North

(Wieczorek 1995; Bairoch 1996; Hirst & Thompson 1996; Berger & Dore 1996; Busch 2000). The path-dependent nature of such flows thus does much to dispel the image of truly localised economic activity. Moreover, even if we were to suspend such scepticism to maintain that production *had* been effectively 'localised', then the same most definitely cannot be said of the way in which distinctive local economies are marketed to potentially footloose firms. As Jamie Peck and Adam Tickell suggest, "what is striking about local strategies ... is just how *un*local they are" (Peck & Tickell 1994: 281).

Routinely, localities now struggle with one another through a process of competitive place-marketing in an attempt to derive comparative economic advantage (see, for instance, Watson 1991; Goodwin 1993; Holcomb 1993). Flagship property developments tend to act as the cornerstone of such strategies. For, they are seen as a means of creating a new, dynamic place image capable of enhancing the locality's 'international reputation' within a global hierarchy of cities. Given that the ultimate aim is to derive comparative advantage, it is somewhat paradoxical that, in practice, such images do not tend to be constructed through emphasising the distinctive characteristics of individual localities. Rather, ostensibly unique places with unique attributes to promote are being marketed through a common language in which every city wants to be 'bigger', 'better' and with 'more to offer' than any other. This has had the effect of highlighting much the same features in every city. As Chris Philo and Gerry Kearns argue, "For places, the idea is not so much that they be genuinely different from one another but that they harness their surface differences in order to make themselves in a very real sense nothing but 'the same': to give themselves basically the same sort of attractive image ... drained of anything controversial - with basically the same ambition of sucking in capital" (Philo & Kearns 1993: 20). Local economic development strategies are increasingly being driven by perceptions of the need to appear 'competitive' on terms dictated by potential inward investors (Watson 1997). Moreover, such perceptions are being formed within a context in which all inward investors are assumed to have similar, if not the same, requirements. As a consequence, localities are now being marketed as 'new' homes for potentially footloose firms on the basis of more or less clichéd formulas (see Goss 1996). The possibility that the pleasant ensemble of cultural motifs being promoted bears little comparison to the city's actual cultural heritage is besides the point. As Sophie Watson suggests, under the influence of the inward investment game, "places are [now] as much about myth as they are reality" (Watson 1991: 59).

Perhaps most importantly, it is 'business-oriented' images which now dominate. This represents a clear and unambiguous statement of intent to be 'market-friendly'. Of course, such a stance is by no means neutral in political terms. The concept of country competitiveness which lies at the heart of the inward investment game carries with it a clearly-defined picture of the world in which all economies have to operate (Albo 1996; Panitch 1996; Wiseman 1996). That world is one in which 'easy' productivity gains are to be made available to relocating firms in the form of depressed relative unit labour costs. What we see, then, is potential surplus value effectively being 'traded' on an open market for inward investors. This is amply demonstrated by the headline-grabbing relocation of Japanese car maufacturers, Nissan and Toyota, into Britain in the early 1990s. For, here, both the British Government and their prize captures were conspicuous in their attempts to encourage the bidding-down of potential labour costs. Both individual localities and individual trade unions were actively solicited to promote themselves specifically as the low-cost option.

Quite clearly, such an attribute increases the level of the effective subsidy paid to inward investors to secure their re-location. A firm which locates into an economy where wage relations are policed by 'business-oriented' government policies is always likely to be less burdened by start-up costs than a firm which locates into an economy where such policies are absent. A straightforward link can therefore be drawn between an economy which is structured to be 'market-friendly' and a government which engages in 'competitive austerity' (on which, see Albo 1994).

This link is clearly significant in terms of the labour market policies which currently constitute both the liberal norm (see Coates 2000) and also the particular way in which successive British governments have played the inward investment game (see Watson 2000b). However, other interpretations of 'market-friendly' must also be explored if the analysis is to look beyond labour market policies to the overall macroeconomic stance of which labour market policies are merely a part. Moreover, such interpretations allow for some interesting observations to be made in relation to the Blair Government's strategies for facilitating foreign direct investment as a by-product of establishing "a credible framework for monetary discipline" (Brown 1996; for similar sentiments, see Blair 1996c).

Previously in this chapter, I argued for the need to rethink the concept of 'market-friendly' in terms of 'liquidity-enhancing'. Viewed through such a perspective, the government's willingness to subsidise relocating inward investors through new forms of wage discipline appear ever more necessary if the overall 'success' of its strategy is to continue. As before, the self-inflicted nature of this self-perpetuating structural constraint is evident. The Blair Government has certainly been able to provide additional liquidity for financial investors by pre-committing policy to a series of 'sound money' targets. In this respect, New Labour has undoubtedly proved to be 'market-friendly'. However, with high levels of liquidity now on offer for those who bypass the production circuit altogether, the Blair Government has also reduced the incentive for inward investors to establish new productive capacity in the absence of significant sweeteners for doing so. These sweeteners, of course, have taken the form of highly developed subsidisation packages, ranging from the direct transfer of money to the rigid policing of the labour market. Subsidies therefore act to compensate for the additional liquidity which is foregone in the process of becoming an inward investor.

Conclusion

The Blair Government continues to talk about the 'necessity' of chasing new sources of foreign direct investment (see Brown 1996, 1997) and about the 'necessity' of using public funds to facilitate such a chase (see Blair 1995b). However, subsidisation imperatives have only emerged in the first place because of the government's pre-commitment to a rules-based monetary policy. Without the introduction of a series of pre-stated targets to serve as automatic pilots for the economy, the government would be in no position to act as guarantor of liquidity within the financial markets. Take away the government's ability to perform such a role, and there would immediately be less need to offer both economic and political inducements as an incentive for foreign firms to become inward investors. Thus, the subsidisation trap into which the government seems intent on falling is one primarily of its own making.

Indeed, I have argued that the capacity constraints which lie at the heart of contemporary public policy-making dilemmas are, to a significant extent, the result of government macroeconomic policy. New Labour's assertions about the policy environment in which it finds itself are by now well-known; typified as they are by a repetitive appeal to the 'realities' of globalisation. The ability of globalisation to demand concessions from governments provides ample justification for the party's new-found commitment to 'sound money'. However, in this chapter, as in the one before, I have rejected both aspects of such a characterisation. Firstly, I have suggested that a reflex appeal to the policy logic of globalisation serves merely to mask the real nature of the structural constraints which economic policy-makers currently face. Secondly, I have suggested that the government's mis-specification of the policy environment has led it to reproduce, indeed heighten, those same structural constraints. Such conclusions set the context for the following chapters.

CHAPTER EIGHT:

DE-POLITICISATION AS A

CONSCIOUS POLITICAL STRATEGY,

GLOBALISATION AS A MEANS OF DE-POLITICISATION

Much conceptual confusion continues to surround the notion of globalisation. Given the frequency with which globalising tendencies are called upon to explain all that appears new within the international economy, some degree of conceptual slippage is perhaps to be expected (on which point, see Allen & Thompson 1997). In an attempt to strip away at least some of the problems which are encountered in this respect, the previous two chapters have concentrated on the type of analytical work which the concept of globalisation is *in*capable of performing.

The appeal to globalisation tends to be associated with explanatory models which are predominantly economic in nature. Thus, the image of a truly global capital relation is most commonly used to capture the essence of contemporary public policy-making constraints in the economic sphere. Subsequently, as policy explanation and policy prescription are collapsed into a single line of argument, that same image is also used to justify the commitment to a macroeconomic stance which is sensitive to the demands of the new, global environment. The aim of the previous two chapters has been to show the logical inconsistency inherent in such reasoning. The very notion of globalisation is constructed using economic logic which is both mis-specified and mis-applied. This has resulted in policy-making which is riddled with contradictions. Global invisible hand metaphors provide for wonderfully parsimonious models. As explanatory models, however, they are found sorely wanting. The aim of this chapter is to suggest why the

Blair Government has maintained its focus on the 'necessity' of sound money policies, despite the fact that the presumed source of that necessity, economic globalisation, is far more limited in reality than it is in government rhetoric.

Two possible accounts of such a tendency present themselves. Either: i) It is to be assumed that New Labour is fundamentally unaware that its globalisation rhetoric routinely misrepresents the actual dynamics of change within the international economy. Therefore, to its mind at least, rhetoric and reality bear more or less perfect correspondence. From this, we are left to conclude that the government's systematic misinformation about globalisation is purely unintentional, and thus carries no attendant political agenda. Alternatively: ii) It is to be assumed that the Blair Government *is* aware of the fundamental mismatch between its globalisation rhetoric and the wider reality which such rhetoric purports to represent. In this reading, we can dismiss the possibility that the notion of globalisation performs significant analytical work in guiding our understanding of the way in which the international economy is currently being reconstituted. Yet, despite this, New Labour refuses to give up its globalisation rhetoric;[1] indeed, quite conspicuously so. This raises a rather more intriguing possibility, tempting the conclusion that the Blair Government has appropriated the notion of globalisation as a conscious strategy designed to help achieve wider political goals. In other words, whilst globalisation rhetoric is incapable of doing substantial analytical work, the same cannot be said of its ability to do far-reaching political work. In this chapter, I suggest that this is the reason that the Blair Government maintains a rhetorical stance which so closely

[1] Moreover, it should be noted just how infrequently it is ever challenged to give up that rhetoric.

mirrors the radical globalisation thesis' empirically unsustainable assumptions of a 'borderless world'.

Blair's 'New Bretton Woods'

The 'common-sense' status of ideas about globalisation may well prove to be a powerful force capable of producing effects which are entirely consistent with how a global world would look (see Piven 1995; Rose 1996; Douglas 1997; Hay & Watson 1998). So long as the existence of a truly global capital relation remains unchallenged in public discourse, governments are able to provide legitimation for themselves merely by acting on the basis of globalisation's perceived imperatives. Attempts are being made to reconstitute the way in which the economy is experienced in order to fit pre-existing perceptions that the economy has already been globalised. In this instance, reality is being shaped to bring it into line with rhetoric. This is the exact opposite of the usual processes of reflexive learning, through which rhetoric is remoulded as more becomes known of the underlying reality. Yet, here, it is the Blair Government's globalisation rhetoric which appears to be fixed. To the extent that the government displays the attributes of reflexive learning, it is the perceived need to reconfigure the material context in which it is situated that seems to be the most prominent outcome of that learning. In this way, New Labour has provided us with experiences of the capital relation which serve to 'confirm' its own globalisation rhetoric.

This tells us much about the reason why the Blair Government persists with the 'necessity' of guaranteeing financial market liquidity, despite the fact that globalising tendencies which are the presumed source of that necessity prove to be much more limited than the government implies. Most significantly, it suggests that New Labour's determination to be seen blazing the globalisation trail is a conscious strategy. As such, it also shows that the government's insistence on presenting the assumption of globalisation in 'common-sense' terms cannot be related simply to cognitive dissonance. New Labour is facilitating the insertion of globalising dynamics within the British economy as a deliberate act of policy. The introduction of a more coercive domestic statecraft should not be viewed as an 'inevitable' effect of globalising imperatives (on which, see Evans 1997; Thompson 1997). Rather, it is necessary that we reverse the causality here. It is the mask of a continued and unquestioned belief in globalisation which is now being used as the means of legitimating the institutionalisation of a new disciplinary mode of governance.

Nowhere is this more apparent than in the Labour Party's flirtation with public pronouncements on the need for a "new Bretton Woods" (see Blair 1998). Ever since the demise of the original settlement, the image of a reinvigorated Bretton Woods has served as a means of mobilising political opinion behind the expansion of citizenship rights through the institutionalisation of a socially-inclusive economic policy. However, it is only too clear that this is *not* what the Blair Government means by its insistence on qualitative novelty. The government's proposals certainly revolved, as did the original settlement, around the creation of sufficient institutional capacity to oversee the regulation of international economic relations. But this was by no means a call to reverse political time and restore the conditions which made possible a former 'golden age' of national economic management. Rather, it signified the government's desire to accelerate the 'modernisation' of the post-national present by making it still more global. The original Bretton Woods settlement attempted to slow down the movement of capital, impeding the development of a global capital market in the interests of facilitating a socially-inclusive domestic statecraft. By contrast, Blair's 'new Bretton Woods' seeks to speed up that movement to create a truly global circuit of capital. Thus, the British Government has been committed to provide state support for completing a job which the international financial markets have been unable to do for themselves. Far from following in the footsteps of those who established the original Bretton Woods institutions by throwing sand in the wheels of international finance (on which point, see Tobin 1978, 1997; Eichengreen, Tobin & Wyplosz 1995; Collingsworth, Goold & Harvey 1994), New Labour merely proposes to oil them still further.

Of course, the very fact that the Blair Government should feel compelled to quicken the pace of globalisation reveals a number of things about both the material and the ideational contexts in which it operates. i) It shows that globalisation itself is far from complete. To state the obvious, it would be impossible to speed up a process which was already finished. ii) More fundamentally, it shows that globalisation *is* a process. Furthermore, it is a process which consciously acting subjects have the capacity to shape to their own ends. Contrary to invisible hand metaphors, then, there is nothing natural about the emergence of globalising tendencies. iii) Finally, and perhaps most significantly, it shows that the Blair Government is *fully aware* that its globalisation rhetoric is an exaggeration of a much less global reality. If New Labour actually believed what it says in relation to globalisation, then there would be no need for it to be concerned with making financial market relations more global.

Yet this, quite clearly, *is* its concern. As the Prime Minister revealed in his proposals for a 'new Bretton Woods', his wider aim is to provide a transnational mechanism capable of forcing national governments to institutionalise fiscal and monetary 'transparency' (Blair 1998). That mechanism is to be the creation of a truly global circuit of financial capital. With financial flows finally liberated from those government regulations which survived the 1980s (see *The Economist* Survey 1995), whatever policy-making discretion currently remains is to be sacrificed in order to make international financial markets respond more sensitively to global equilibrium pricing structures (see *The Economist* Survey 1999: 5). In Tony Blair's own words, his intention is to use these newly reconstituted financial markets in order to "strengthen the incentives on governments to pursue 'sound' policies" (Blair 1998).

The irony of such a comment is palpable. For, the most likely effects of such re-regulation would be to tighten still further the noose which financial liberalisation has been able to place around policy-making autonomy. On one front, New Labour routinely laments its inability to respond more proactively to demands for social inclusion because of the constraints of financial liberalisation (for arguments which emphasise such effects, see Kenny & Smith 1996; Ellison 1997). Yet, here we see its leader advocating that the government's own hand be used to give that same process additional impetus. It is clear, then, that the Prime Minister's proposals for re-regulating the international financial markets are not part of a design for creating new space for autonomous government activity (by contrast, see Watson 1999a). His plans consequently contain no new initiatives which could lead to the re-politicisation of existing monetary values like the original Bretton Woods settlement did; let alone to the popular mobilisation of progressive political movements to brand new forms of monetary policy-making altogether. Insofar as these proposals aim to make financial markets work 'better', this only appears to be in the sense of allowing them to make it easier to impose the fiscal and monetary policy priorities of the prevailing macroeconomic orthodoxy.

The possibility of implementing anything other than the most strictly orthodox policy will be constrained in particular by the Prime Minister's personal pledge to ensure that, in the future, financial investors will be able to work in a context conducive to them "pric[ing] risk more accurately" (Blair 1998). This pledge is entirely consistent with the actions of a government which has moved decisively to position itself as a guarantor of financial market liquidity. However, given that liquidity-enhancing interventions provide investors with extra incentives to 'exit' the production circuit, it is also consistent with the actions of a government which is likely to exacerbate the economy's existing tendency towards capacity shortfalls. In the preceding chapter, I argued that economies which display persistent capacity shortfalls within a macroeconomic context of 'sound money' are susceptible to being locked-in to a vicious circle of self-perpetuating policy constraints. The Prime Minister's proposals for a 'new Bretton Woods' seem sure to increase the possibility of becoming structurally bound to such constraints.

Of course, there are no grounds for suggesting that this is *exactly* what the Prime Minister is trying to do. However, his concerns for accelerating financial market liberalisation do imply a conscious engagement with international economic reform as a way to discipline the domestic political agenda. Across a range of countries, globalising tendencies appear to be most developed where policy-making has been dominated by political parties who have previously declared an interest in maintaining a strictly orthodox macroeconomic stance. Indeed, the history of globalisation could well be characterised as the search for an effective means of depoliticising state economic policy in the image of a 'best-practice neo-liberalism'. At the very least, the insertion of a global dynamic into the domestic economy serves to make more difficult the future disarticulation of such a stance. It is to this point that I turn in the following section.

Globalisation as Self-Created External Constraint

The Blair Government in Britain is but one of a number of governments which have been only too keen to appropriate both the idea of globalisation and globalising tendencies themselves in circumstances in which some wider political end is fulfilled by doing so. Such an argument suggests a tendency towards over-simplification in much of the existing literature on globalisation. In general, that literature is united in its construction of globalisation as a structural constraint on economic policy-making, especially for those policy-makers with aspirations to resist the prevailing neo-liberal orthodoxy. Here, however, a rather different emphasis is brought into view. As the previous section on the Prime Minister's proposals for a 'new Bretton Woods' demonstrated, New Labour is much more than a merely passive recipient of globalising trends. The dominant message sent out by the party's leaders both before and after the 1997 election was that the change which such trends were likely to impart onto the British economy was to be encouraged rather than rejected (see, for instance, Blair 1996b, 1996b; Brown 1998, 1999). Whilst New Labour has typically put a positive spin on change in general (see Kavanagh 1997; Kellner 1997; Norris 1997), the specific changes to be wrought by the further institutionalisation of globalising tendencies have been particularly keenly embraced. The Party has done more than just accept the 'inevitability' of such tendencies; it has been eager to be seen actively embedding them. As such, it is inadequate to view globalisation merely as a structural constraint on economic policy-making. Rather, it is necessary to assess the way in which it has been constructed specifically *as* a constraint on the autonomy of policy-makers to implement anything other than 'sound money' policies.

This requires for many of the most prominent claims in the globalisation literature to be systematically re-thought. Prime amongst them is the idea that globalising tendencies compel governments to externalise an ever greater number of its policy responsibilities (on which, see Cerny 1990, 1997). The state has been used to lock the management of the economy into a range of external enforcement mechanism. The collapse of the original Bretton Woods settlement is assumed to have made it more difficult for any government to manage its economy successfully. In particular, enhanced capital mobility is thought to have increased the power of veto which financial markets are able to exercise over government decisions which are overtly political (see Bryan 1995). As such, the sole remaining option open to governments is believed to be that they increasingly cede the right to make decisions at all. Financial markets are assumed to have most faith in the ability of orthodox central bankers to sustain a 'market-friendly' policy environment. Accordingly, large swathes of policy-making responsibility have been transferred from elected politicians to non-elected technical experts. Globalisation, it seems, has heightened both the range of demands that financial markets can legitimately make of governments, and also the incentives which governments have to accept those demands and give up their policy-making role.

This is a version of events which I set out to challenge. It is not the case that it is credibility constraints associated with globalisation which 'necessitate' the use of external enforcement mechanisms to act as automatic pilots for policy. Rather, globalising tendencies have been consciously authored *as* an external enforcement mechanism in their own right. Liberalising dynamics have been successfully institutionalised within the world's financial markets as a means of creating a truly global circuit of capital. The deliberate encouragement of such dynamics represents an attempt to 'contract out' the terms on which economic policy is set. The right of state officials to initiate policy has increasingly been handed to private sector investors. As a simple statement of fact, there is little to distinguish this conclusion from the position adopted elsewhere in the literature and introduced in the previous paragraph. Where the accounts differ quite fundamentally, however, is in their competing notions of causality. I suggest that most of the existing literature is wrong to argue that the process of policy externalisation has occurred *because* of globalisation. Rather, it is occurring *through* globalisation. De-politicisation is, in itself, a comprehensive political strategy designed to demobilise opposition to the prevailing social order. The reprojection of investment decisions into markets which exist on a different spatial scale to that of the national economy is merely one part of such a strategy. That is, globalisation is a means to the end of de-politicising macroeconomic policy, and not the tendency which compels such a stance.

Of course, much has been made throughout this thesis about just how far there is still to go before we can talk in any real sense about the existence of truly global economic markets. The empirical evidence surveyed in the opening chapter suggests not merely that the tendency towards globalisation is incomplete, but also that in many cases it may not even have begun at all. As an efficient means of externalising policy, global markets thus leave a lot to be desired. Global dynamics of supply and demand are unable to perform the role of external enforcement mechanism for domestic economic policy without ‘assistance’ from elsewhere. Much has also been made in the preceding chapters of the fact that it is dominant ideas about globalisation which provide such assistance.

Indeed, it may well be through decisive interventions in the ideational sphere that the Labour Party can be seen most clearly to be an agent of the structural constraints with which it is faced. In certain circumstances, dominant discursive representations of reality can impact in much the same way as the material structure of that reality itself in terms of conditioning subsequent political outcomes. Such circumstances are readily apparent whenever a dominant discourse becomes seen, no longer *as* a dominant discourse, but merely as ‘the way things are’. Moreover, this is *exactly* what the current Labour leadership has tried to do in relation to the dominant discourse of globalisation. We have seen the Blair Government expend much political energy in its attempts to reduce the conventional wisdom to the status of mere ‘common-sense’. The restriction of the government’s room for manoeuvre is every bit as much a reflection of the ideas which the government itself is promoting about the economic environment in which it exists, as it is of that actual environment.

That New Labour has engaged extensively with the dominant discourse of globalisation is beyond doubt (see, for instance, Balls 1998). What we also need to be aware of is the precise terms on which it has chosen to do so (see Hay & Watson 1998: 18). This suggests that the party’s political positioning brought about as a result of globalisation may be more subtle than much of the existing academic literature implies. New Labour has enjoyed a relatively free hand in defining what globalisation is to ‘mean’ in political debates in Britain (see Watson 1998a).[2] It has used this to its own advantage, presenting globalisation as 'common-sense' specifically to close off the perceived parameters of viable competition over the terms of future economic policy. The party's internal assessment of four successive general election defeats was that it was paying an unacceptable price for a failure to suppress expectations that it could not be trusted to run an orthodox macroeconomic policy (for differing explanations of such an assessment see, amongst others, Lipsey 1992; Blair 1993; Gamble 1996; Mandelson & Liddle 1996; Brivati 1998; Driver & Martell 1998; Sassoon 1998; Shaw 1998). New Labour's conscious appropriation of a discourse of globalisation must be seen as a means of gaining that missing trust. The appeal, not only to globalising tendencies but also to their *inexorable* nature, has presented the party leadership with an opportunity formally to exclude all but the most orthodox understanding of the ideal form of the capital relation. The Labour Party's conversion to macroeconomic orthodoxy appears all the more convincing when set within a dominant discourse which renders all alternatives impossible. Its willingness to enforce a restrictive economic agenda has acquired a 'taken-for-granted' character proportionate to its success in reducing the conventional wisdom of globalisation to mere 'common-sense'.

Thus, insofar as the limits of that considered politically possible are being actively policed, they are being policed for a reason. Dominant ideas about the structural constraints of the international economy have been institutionalised in Britain in order for the Labour Party to be able to demonstrate that its conversion to an orthodox economic

[2] In contrast to many other areas of the political economy of New Labour, the discursive legacy of

stance is 'for real'. As a consequence, there is clearly a need to be operating within an analytical perspective which is sensitive to the causal influences contained within the realm of ideas (see Blyth 1997). The ideas through which economic policy is constructed portend decisive distributional effects within society. For, they contribute to the process through which the 'correct' form of the capital relation is defined. As Adam Przeworski suggests, "economic theories are rationalisations of the political interests of conflicting classes and groups ... Behind economic alternatives lurk visions of society, models of culture, and thrusts for power" (Przeworski 1985: 206).

Discipline is enforced within society and dissent restricted through the activation of power resources in the ideational sphere as well as through those inscribed in the structures of the state (see, for instance, van der Pijl 1997: 31). Indeed, those structures themselves reflect the articulation of a particular political settlement to the underlying essence of state power. This, in turn, tends to occur through the imposition of a dominant ideological mediation of 'systemic imperatives'. Thus, control of the authoritative ideas which orient society is functional to the enforcement of coercive interventions at the political level (Maier 1987: 16). At the very least, it enables the legitimation of such discipline in the name of 'common-sense'.

It is in this way that New Labour has tended to use the dominant discourse of globalisation: as a legitimation device designed to head off opposition to its acceptance of its neo-liberal inheritance in the macroeconomic sphere. The processes of globalisation

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Thatcherism here is conspicuous by its absence.

are almost certainly too underdeveloped for them to come complete with any *actual* neo-liberal logic of no alternative. Yet, so long as New Labour continues to appeal to the conventional wisdom of globalisation to successfully direct political debate in line with perceptions of 'neo-liberal necessity', such a logic could well continue to be experienced *as* real. In this respect, globalisation serves not so much as the proximate cause of restructured state-society relations, but more as a complementary intervention aimed at facilitating their 'policing'. The Blair Government has used the idea that we live in a world which has already been globalised in order to ease the way for implementing policies that could in time lead to more global economic relations. There are obvious distributional implications contained in decisions which allow business networks to develop along lines that do not coincide with national regulatory mechanisms (on which, see Maltby & Wilkinson 1998: 114-15). That New Labour has had few problems defending such implications, despite a domestic political context generally understood to be antagonistic to further income polarisation (see Hutton 1997; Butler & Kavanagh 1997; Hattersley 1998), owes much to its success in passing off globalisation merely as a 'fact-of-life'.

To return the analysis to the major theme running through this chapter, it is clear that the impact of globalisation on British politics is much more complex than that of a simple determining economic structure (see Watson 2000c). Indeed, understood that way, the concept of globalisation is largely incapable of performing significant analytical work. Rather, its importance lies in the political work which governments have been able to enlist it to do. I reflect further in this theme in the remainder of the chapter.

'Sound Money' and the Technicalisation of Economic Policy Debate

Whilst globalising tendencies are most often seen as structural constraints on state strategies, here I have been keen to develop a rather different line of argument. Indeed, far from simply being constrained, I have suggested that the Labour government has been able to open up the political space to pursue an orthodox macroeconomic policy precisely because it has been successful in presenting such tendencies *as* constraints. That space has remained open primarily as a result of the favourable reception that the party's 'modernised' macroeconomics has had amongst two constituencies. As the 1997 general election clearly demonstrated, Middle-England has reacted with enthusiasm to New Labour's fiscal prudence. Moreover, the financial markets have expressed an almost total lack of concern about Middle-England's changing political allegiance. The momentum which the markets displayed in the pre-election period has continued unabated for the entire post-election period. I now consider these two favourable 'comments' in turn.

Perhaps the most notable theme of the literature on the 1997 election concerns the lack of political competition over the direction of future economic policy (see King et al 1998). Indeed, Labour's new-found 'electability' appears to be closely linked to its ability to defuse such competition by treating economic policy merely as a matter of competence.

In relation to one of the most frequently asked questions of the campaign, ‘Who’s trusted most on the economy?’, virtually all the opinion poll data pointed to the Labour Party (Kellner 1997: 621). Moreover, this was a distinctively ‘New’ Labour phenomenon. Whilst Labour held a narrow lead amongst all voters on the issue of perceived economic competence, amongst *new* Labour voters that lead was 4:1. The party’s attempts to redefine the way in which it was seen by the electorate clearly resonated most spectacularly amongst its target constituencies of potential floating voters. Here we see a party with a carefully constructed policy programme pitched directly at a pre-targeted social group whose support was deemed essential. On the question of income tax, for instance, the party’s commitment to leave tax rates unchanged for the life of the parliament paid rich dividends in terms of the swing voters who changed the electoral geography of Britain so decisively (see Harrop 1997). Labour’s overall lead on the question of ‘Which party do you trust most to make the right decisions about income tax?’ was a potentially election-winning 8%. A potential victory was turned into an actual landslide by the fact that, amongst those who had voted Conservative in 1992 but five years later had not, that lead was almost three times as high (Kellner 1997: 621).

Note, however, the *type* of questions which the opinion pollsters thought it important to ask about the economy. They offer interesting insights into the way in which the main parties chose to treat economic policy as an election issue. In previous elections, the economy had been identified as a crucial site of ideological competition. Accordingly, the parties had struggled to impose a strategic vision to which society should be oriented. In 1997, by contrast, the economic status quo remained relatively unchallenged. As New

Labour used the dominant discourse of globalisation to de-politicise *its* policy priorities, the economy was reduced solely to a site of technocratic struggle. Thus, the only decision which the electorate was asked to make was which party could be trusted most to manage the economy in line with the existing socio-economic settlement. Conservative failure of macroeconomic management was made a matter of technical competence rather than one of ideology (see Hay 1998). The fact that Labour was successful in liberating itself from the 'necessity' of challenging Conservative neo-liberalism was heavily influenced by its prior success in identifying itself with the conventional wisdom of globalisation. By the time of the 1997 election, New Labour had already popularised the assumption that globalising tendencies had rendered all resistance to the 'sound money' orthodoxy a non-starter. Set in such a context, the only potentially winning electoral strategy was to be seen endorsing a neo-liberal stance as enthusiastically as possible.

In this respect, New Labour's presentation of the strategic assessment of the context within which it exists bears close comparison to that predicted by the structural dependence thesis. Of course, that the Blair Government acts as if the structural dependence thesis were true is not in any sense confirmation of such a thesis. Yet, the very fact that it *has* behaved in a manner consistent with how it would have had to act *were* the thesis valid suggests the value of exploring its claims in a little more depth.

Such claims are easily detailed (on which see, for instance Przeworski & Wallerstein 1988; Block 1987; Lindblom 1988; Przeworski 1990; Swank 1992, 1998; Wickham-Jones 1995, 1997; Hay 1997). i) The state is assumed to be co-existent with capital:

capital is faced with a political environment which is dominated by states, and states are faced with an economic environment which is dominated by capital. ii) Despite the superficial appearance of mutual dependence, in practice this relationship has become increasingly one-sided. Capital is assumed to hold the upper hand to the extent that it is only through the successful reproduction of the capital accumulation process that the successful reproduction of the state can be ensured. Thus, capital is able to dictate to the state in a way which the state is simply not at liberty to reciprocate. iii) Moreover, globalisation is assumed to accentuate this disparity of power resources. Once again, we are returned to a link between globalisation and a significant increase in feasible exit options for capital. Adding assumptions of spatial mobility to those of structural dependence serve to shackle the political latitude of parties seeking state power still further. Any indication that a potential party of government would be likely to sacrifice 'sound money' policies to fund progressive redistribution is thought likely to be accompanied by rapid and destabilising capital flight. iv) As such, even the suggestion that a social democratic party was on the verge of being elected in an era of globalisation and limitless exit options is deemed sufficient to generate significant capital outflows and subsequent economic crisis. In turn, this ever-present threat of crisis is assumed to act as a guarantee that social democratic parties are unable to win elections unless they are willing to downgrade their social democratic aspirations.

As we can see, the structural dependence thesis represents a further articulation of the perceived inevitability of neo-liberal economics. Any government caught even thinking about a return to the 'good old days' of a golden Keynesian past is assumed to be lining itself up for retribution at the hands of international financial investors (for the clearest statement from a New Labour advisor on this issue, see Balls 1998[3]). Activity within financial markets is thought immediately to re-sensitise governments to the need to adopt policies appropriate to the environment in which they exist (see IMF 1997). Thus, the Chancellor has continually justified the government's attempts to restrict its policies to those that are compatible with the idea of structural dependence by arguing that "the judgement of the markets ... [is] ... as swift as it is powerful" (cited in Shaw 1998: 5). Moreover, it is not only the government which appears to be operating in the manner suggested by the structural dependence thesis; the markets also seem to be conforming to such a model. As such, the 'judgement of the markets' has typically been to reward New Labour for its 'sensible' management of the economy and, in particular, for its decision to liberate itself from the shackles of social democratic aspirations.

This, then, has been presented as the second source of favourable comment that the Labour Party has received for its 'modernised' macroeconomics. An obvious contrast is therefore in evidence between the reactions of the international financial markets to the possibility of Labour victories in the general elections of 1992 and 1997. During the four weeks of the 1992 campaign, for instance, the headline FT-SE 100 index of leading shares recorded a points loss equivalent to 7% of the market's total value. Moreover, the most substantial losses in that period came in the immediate aftermath of opinion polls which showed a strong Labour lead (Heath, Jowell & Curtice 1994). This reflected the

[3] Although Balls does not mention by name the experience of the French Government's 'Keynesianism in One Country' experiment in the early 1980s (on which, see Ross, Hoffmann & Malzacher 1987), it is far from difficult to identify in his argument the perceived need to avoid the 'spectre of Mitterand'.

fact that those shares whose underlying values were considered most susceptible to a change of government experienced a percentage fall which ran well into double digits (Wickham-Jones 1995: 484). By contrast, no similar cluster of 'vulnerable' shares emerged during the course of New Labour's surge to victory five years later. The FT-SE's upward trajectory was uninterrupted by the prospect of a Blair Government. Furthermore, since the change of government in 1997, the City has also demonstrated a singular lack of concern about the reality of co-habitation with a Labour-led Treasury. Safe in the knowledge that this Labour government is likely to do less than any of its predecessors to disrupt their investment plans, the subsequent 'feel-good factor' in the Square Mile has conspired to send London's stock markets to new heights both during and after the election (Kavanagh 1997: 538; Sassoon 1998: 95).

New Labour's willingness to act as guarantor of financial market liquidity has been welcomed in the way the markets know best. More capital has been pumped into the markets to keep them afloat with excess demand, and this has served to inflate existing financial prices. Investors on the whole are acting in a manner entirely consistent with the broad range of market risks and returns having been shifted in the direction of a new, lower-risk, equilibrium. Recent stock market increases have been so out of line with reports on company profitability (*Financial Times*, 05.06.99) that the very notion of underlying market 'value' has become increasingly virtual (on which point, see Watson 2000a). The stock market index and the market's moving average tend to be aligned only in circumstances in which investors are fully sensitised to the prevailing risk structure within the market. The index has been significantly higher than the moving average ever since the partial market correction of October 1997. Indeed, it has spent much of that period in a more pronounced state of disalignment than at any time in the market's history (*The Economist* 1998; Soros 1998). This suggests that investors are currently discounting risk to a greater extent than ever before, allowing them safely to accept investment options which would seem entirely 'irrational' in a less bullish environment.

Of course, such effects have not materialised merely as a quirk of fate. Investors' decisions are guided by their expectations of the environment in which they are situated. Much of the responsibility for the market's post-election bullishness therefore lies in the Blair government's success in demobilising potential opposition to the economic status quo. It may well be that Labour continues to conflate the quite distinct logics of capital globalisation and financial liberalisation (this is evident, for instance, in Blair 1996b, 1998; Brown 1996, 1998). Yet, it is precisely because of this that, in attempting to formalise a range of policies appropriate to its globalisation rhetoric, it has provided further momentum to existing liberalising dynamics. Moreover, it is to evidence of financial liberalisation that financial markets respond approvingly, not to evidence of globalisation. The additional liquidity which liberalisation helps to sustain is almost always greeted by a fresh surge in market prices.

It is the government's guarantee of such liquidity which has ensured that the UK equities market has remained systematically 'over-priced' ever since New Labour took office. Indeed, the present disparity between the stock market index and the market's moving average has begun to look less like a conjunctural feature of investors' 'irrational exuberance', and more like a structural feature which has become integral to the everyday operation of the market (see Watson 2000a). This, at any rate, would appear to be the prevailing impression of those operating within the market itself. Moreover, in a highly liberalised trading environment in which market outcomes are driven ever more by market expectations (Harmes 1998; Harvey 1999), this is what matters most. Such expectations are currently being shaped by perceptions that the structure of the stock market has shifted in the direction of diminished risk sensitivities under the influence of the government's conscious de-politicisation strategies. Not only does the market's continued bullishness represent its positive assessment of the government's performance in regulating wider social relations of production along the lines of the prevailing economic orthodoxy. In addition, the government has routinely appealed to the 'imperatives' of maintaining the market's current buoyancy as a feature of the state's structural dependence on capital in an era of globalisation (see Blair 1998). As such, the stock market has also emerged as an increasingly important institutional *means* of reproducing social regulation in the image of 'neo-liberal necessity'.

Once again, the causal impact of ideas about globalisation is palpable. Remove the dominant discourse of globalisation, and the excesses of the current bull run are revealed for what they are: the expression of raw economic power founded on specific structures of exploitation and domination (see Martin 1999: 6-12). Replace that discourse, however, and such structures are effectively stripped of their political content. Set within the context of assumptions about globalisation and capital flight, the government's decision to foster further bullish tendencies can be reduced to the merely technical requirement of keeping capital on-shore in an era of increased exit options.

Let me repeat that what is important here is not so much globalisation per se as *ideas* about globalisation. In no sense is the prevailing 'mood' of the equity markets dependent on the dominant spatial flows of capital produced by globalising dynamics. Bullish tendencies do not relate simply to the dominance of capital inflows, as assets are attracted from a range of other national equity markets. Similarly, bearish tendencies do not relate simply to capital outflows, as other equity markets attract assets which are currently located within the domestic market. Spatial mobility assumptions provide an inadequate conceptual framework for understanding equity trading to the extent that they suggest the existence of a zero-sum world. In such a world, London's gains are made at the expense of New York, Frankfurt, Paris, Tokyo and Hong Kong, and London's losses result in gains elsewhere. However, such assumptions do nothing to capture the actual patterns of trading in international equity markets. The most noticeable pattern to have emerged in recent years is the degree to which the fortunes of individual markets now fluctuate in tandem. As the events associated with the onset of the Asian financial crisis proved only too vividly, western equity markets now tend not only to go down together but to recover together as well (*The Economist* 1997b; *New Statesman* 1997). Domestic investors increasingly act as if price movements elsewhere provide them with information which is relevant to the pricing of their own stocks (Frankel 1994: 15-16). A good performance on one market has effectively become a condition for good performances on others. As such, there is firm evidence for strong co-movements of equity *prices*. However, this is not at all the same as saying that here we have evidence for globalisation. Such evidence would require for there to be strong co-movements of equity *flows*, consistent with enhanced exit options having prompted significant cross-border capital flight. Yet, no such flows have so far been identified (Tesar & Werner 1994: 205-8).

The concept of globalisation is therefore superfluous to explanations of the continuing bull market for British shares. Much more important has been the Blair Government's willingness to act in concert with other western governments to guarantee financial market liquidity. Such guarantees have heightened expected returns at every level of risk, and have consequently provided extra incentives for holding investment portfolios dominated by equities. It is the government's commitment to 'sound money' orthodoxy which has ensured that the demand for equities has remained remarkably strong. Indeed, its willingness to provide institutional arrangements to lock-in that orthodoxy has had a similar effect on underlying demand strength. It is from the continuing reproduction of such strength that bullish tendencies emerge.

To sum up, then, we are faced with a complex notion of causality here. i) The government uses spatial mobility assumptions to argue that globalisation 'necessitates' policies which seal off potential exit options for those who have invested in equities. ii) It chooses to present the separate logics of capital globalisation and financial liberalisation as conceptually indistinguishable. iii) Although using the language of globalising imperatives, it has actually produced policies of further liberalisation. iv) This has made equities a relatively 'safe-haven' investment option, as can be seen by the market's persistent bullishness. v) The government has presented the continued rise in share prices as evidence that potential exit options have been successfully closed off. Finally, vi) This has been used to justify, not only the individual policies implemented, but also the more general argument that globalisation now 'demands' such policies. The issue, then, seems to be the government's technical competence to institutionalise policies appropriate to the wider economic context. What is completely absent from such an account, however, is any appreciation that the record highs which London's stock markets have experienced in recent years represent more than a favourable comment on the government's perceived competence. Rather, it is an indication of the markets' satisfaction that New Labour has internalised its own political preferences, and that it now conceives of competence solely in terms of the adoption of 'market-friendly' policies.

The government's strategic appropriation of the dominant discourse of globalisation is therefore highly significant in the way that it is used to divert attention away from the reconstitution of the party's sense of political priority. If globalisation can be presented as a series of tendencies which 'require' a neo-liberal response, then the introduction of neo-liberal policies no longer becomes seen as a political intervention. Rather, it is reduced to the realm of the merely technical. In other words, the dominant discourse of globalisation allows the government to do a lot of relatively 'unseen' political work. It focuses the analysis on the wider contextual factors which 'necessitate' that the government defends the market's continued bullishness. At the same time, it deflects the analysis away from the specific *means* which are adopted in order to approach such an end. As a consequence, the fact that the current bull run represents a clear political victory of the affluent tends to go relatively unobserved. The government's willingness to reproduce the currently favourable risk-return structure of the equity market has been fundamental to the attraction of additional capital to feed the bull run. Yet, that structure is itself a reflection of the prior introduction of new forms of wage discipline to protect underlying profit levels (Gray 1998; Moseley 1999; Watson 2000a).

Moreover, much the same line of argument can be pursued in relation to the government's attempts to attract inward investors into Britain. Again, the debate tends to be conducted with reference solely to the wider contextual factors which 'require' the government to play the inward investment game. As such, little is said except that the government is responding to globalising pressures in exactly the same way as all other governments have had to respond to them. Of course, this is also to privilege a debate about ends at the expense of one about means. Consequently, the fact that the government has used inward investment dynamics in order to restructure labour market expectations in the direction of further wage discipline generally provokes little by way of critical comment. This is an omission which I seek to correct in the following section.

FDI and the State's Structural Dependence on Capital

In previous chapters, I have discussed in some detail the 'misinformation' which dominates the public debate about globalisation in Britain. Based on the most casual of empirical indicators, inward investment flows tend to be treated as an inevitable effect of globalisation (Bairoch 1996; Busch 1999). In addition, they also tend to be constructed as an immense potential benefit to the overall functioning of the British economy. The more inward investors take advantage of globalisation to re-locate in Britain, the greater the chance of their market-leading production techniques resulting in an improvement in the productivity of the domestic economy. However, on further inspection, neither of these claims has turned out to be valid.

Firstly, there is nothing essentially global about inward investment flows. Inward investment may well conjure images of a borderless world. Certainly, the popular depiction of globalisation more generally is as a process in which geography is simply dissolved by the perpetual motion of re-locating capitals. Yet, if inward investment dynamics demonstrate anything about the world in which we live, then it is surely that geography continues to matter. The very notion of flows suggests directionality (see Hay & Watson 1999a), whereby capital begins in one distinct geographical location and ends up in another. In particular, capital is assumed to flow from contexts seen as less conducive to investment returns to those seen as more so. Furthermore, a distinct pattern has emerged in terms of those countries which are seen as potentially profitable homes for inward investors. What we have witnessed, then, is a spatial bunching of inward investment projects. Inward investment is by no means experienced as equally as borderless world rhetoric implies.

Secondly, I have also shown that the image of inward investment as an unambiguous benefit to the domestic economy is almost certainly misplaced. Such benefits are assumed to result from domestic firms learning to emulate the superior production techniques of their foreign rivals. Yet, given that productivity levels for manufacturing transplants operating in Britain are no higher than they are for home-grown industries, it is difficult to see what impact such emulation would have. On two accounts, then, the dominant discourse of globalisation makes statements about a world which turns out to be very different to the one in which we actually live.

A range of plausible explanations could be advanced for such a finding. Of course, this chapter has been written from the perspective that cognitive dissonance is *not* one of them. I have argued that it is most unlikely that New Labour is anything other than fully aware that its globalisation rhetoric is less than a perfect match for the actual environment which it purports to describe. I maintain that the Blair government has persisted with its rhetorical stance on globalisation, despite the widespread existence of evidence contradicting such a position, primarily for political reasons. Thus, its decision to adopt the same attitude to inward investment as that it might have been compelled to adopt were it actually faced by globalisation is not necessarily confirmation that it accepts the economic logic of doing so. Rather, it may only be confirmation of the potential political benefits it believes will flow from being *seen* to accept that logic. In other words, I suggest that New Labour has been engaged in producing *strategic* 'misinformation' about inward investment. The most important issue may not be to highlight what Labour actually argues in relation to the economics of inward investment. It could be that we should be focusing on how these superficial pronouncements about globalising imperatives simultaneously allow it to remain relatively silent on the fundamentally political dynamics at play here. The government's strategic 'misinformation' about inward investment may merely represent the tip of a much more interesting iceberg. Above the water line is what the government actually says about the British state's structural dependence on footloose firms in an era of globalisation; below is what is left unsaid about the power relations which it is content to leave unchanged through its refusal to challenge the material base of such dependence.

Such an argument is perhaps in need of rather more detailed explanation. Any indication that foreign direct investment is on the increase enables the government to present 'evidence' that we live in a world very much the same as that predicted by the spatial mobility hypothesis. With foreign direct investment typically constructed as an inevitable effect of globalisation, the increasing penetration of the British economy by inward investors tends to be expressed as confirmation of globalising 'realities'. What is more, insofar as it is plausible to link globalisation to an objective economic structure of actual capital flows, then globalisation's perceived logic of neo-liberal necessity can also be presented as an actual political structure constraining future possibilities. Significantly, however, any evidence of the heightened incidence of inward investment activity allows the Blair Government to rationalise the case for an orthodox macroeconomic stance without at the same time having to justify the regressive distributional implications inherent in such a stance. Important political work is therefore carried out without the need to engage in explicitly political debate. Flows of foreign direct investment have consequently become a powerful rhetorical device, allowing the government a means of reproducing an essentially de-politicised policy agenda on purely economic terms.

However, there can be no doubt that the technical requirements of national competitiveness to which New Labour links the chase for inward investors is merely a mask for more fundamentally political arguments. No construction of the competitive imperative can ever be politically-neutral. At all times, such constructions are founded on highly politicised assumptions of the 'ideal' form of the capital relation. The specific way in which the Blair Government has chosen to promote the competitive advantage of Britain has impacted on the capital relation most notably in terms of labour market policy. As I suggested in the previous chapter, competitive opportunities have been made available to capital on the basis of building comparative advantage on relative labour costs. In one policy pronouncement after another in this area, the government has shown itself to be willing to subordinate domestic social policy to the international private property rights of inward investors. This conspicuous privileging of international economic interests is made manifest in an unquestioning acceptance of the legitimacy of exit strategies. In this instance, exit is equated with the right of footloose firms to demonstrate their refusal to pay the financial costs of funding a social state by moving overseas (see Calmfors & Driffill 1988; Scharpf 1991; Lane 1993; Moses 1995, 1998; Iversen 1996). To the extent that an active social state is thought likely to diminish the flow of inward investment into its own territory, arguments for an active social state are now rarely heard in government circles. Instead, attempts to defend the state's revenue base are being developed around restricting the scope of social provision. It is in this primarily economic sense that we hear New Labour's frequent exhortations of the "limits of government" (see Brown 1995). Social policy has increasingly been recast throughout the 1990s as an extra-economic aid to national competitiveness (Jessop 1994a). In this, as in so many other areas of socio-economic policy, the change of government in 1997 has not triggered a significant departure from pre-existing norms (see Hay 1999). The re-commodification of social relations of production in Britain has continued, much of the time being directed by a dominant discourse of 'more market, less state'.

However, this is another occasion on which it is necessary to highlight the substantial mismatch between rhetoric and reality. There is a certain irony that this slogan should trip most readily from the lips of the managers of multinational capital. It has become second nature to hear them declare their ideological commitment to the social benefits which flow from organising economic activity around the competitive instincts of the market. Yet, in practice, the ability of these same managers to be influential in shaping domestic political contexts results from them having turned their backs on competitive market structures. The 'raw power' of multinational firms is a reflection of their tendency to organise themselves into production and distribution cartels (Petrella 1996: 73-5). Thus, they have created a series of oligopolistic structures which bypass the same competitive processes which they have been so keen to urge on others. Footloose firms may well say that they require a competitive market for inputs into the production process, but the same standard is less rigorously policed in terms of the market for their outputs. Increasingly, it is no longer companies who are competing through the quality of their products, but workers and communities according to how cheaply they can make these products (Hildyard 1996: 125).

Moreover, not only are multinationals increasingly inattentive in practice to their own calls for ‘more market’. They are also placing an ever greater number of demands on national governments to provide them with an environment in which they are able to compete on their own terms (Watson 1997). Despite their rhetorical claims to the contrary, then, the managers of multinational capital in general are not insisting on ‘less state’, only on a re-prioritising of state activities (on which point, see for instance Panitch 1996). Contemporary processes of restructuring within international financial markets are commonly assumed to have weakened the political control that national governments are able to exert over their domestic economies. However, the ability of governments to control their populations remains fundamentally undiminished (Hirsch 1991; Gill 1992; Pellerin 1996; Rose 1996; Standing 1997), and this resource has been called upon to force down labour standards in the name of national competitiveness. Not only, then, have successive British governments moved away from conventional economic definitions of ‘competitiveness’ so as to source such concerns through the size of the direct subsidy they have been willing to offer potential inward investors. In addition, ‘competitiveness’ has also come to be defined as the extent to which the government will be willing to undermine existing general wage levels as a means of promoting the domestic economy as a low-wage alternative to other western economies.

A highly significant restructuring of political norms therefore lies behind the specific way in which successive British governments have chosen to play the inward investment game. There is nothing *essentially* neo-liberal about that game. However, both the current Labour Government and its Conservative predecessors have sought to attract potentially footloose firms on the basis of a fundamentally neo-liberal conception of the competitive imperative. This should be seen as part of a more general trend aimed at consolidating successive political victories of the affluent. In particular, we can see the emergence of new forms of political mobilisation designed to secure the reproduction of the existing social structure of accumulation (see Watson 2000a). It is those who are already relatively affluent who have been the focus of these mobilisation strategies.

Within the context of political possibility circumscribed by Bretton Woods, middle-class consent for the status quo tended to be secured via a flow of material benefits originating in annual wage growth. However, such benefits were non-exclusionary. Under conditions of central wage bargaining, all workers enjoyed relatively similar gains. This condition no longer holds. Conscious attempts have been made to ensure that enhanced consumption possibilities are no longer reliant on wage increases. The link between consumption and income is now rather less important at the margins than that between consumption and wealth. This has led to a somewhat different process by which middle-class support is secured for the prevailing macroeconomic regime. It is still possible to observe a flow of material benefits to those within the consensual bloc, but this time it is one which originates in capital gains. In itself, this has been sufficient to ensure a more exclusionary character to the consensual bloc. For, it is only those with access to capital in the first place who stand to benefit from an increase in the scope of likely capital gains.

Conclusion

The second half of this chapter has focused on two effects of Labour's determination to be seen enacting 'sound money' policies. On the one hand, I have highlighted the government's consolidation of the bullish tendencies which were already apparent in London's equity markets. On the other, I have highlighted not only its acceptance of the need to play the inward investment game, but also of the need to continue to do so in exactly the same way that it was already being played.

I conclude that it is more than mere coincidence which has seen these two outcomes emerge at the same time. Indeed, it is a mistake to treat them as two analytically separable outcomes. The ability to present inflationary wage increases as a disincentive to inward investment has allowed the government to use exit threats as an anchor for the wage bargains in all sectors over which it has some control. The direct effect of such discipline has been to hold down the general wage level. The indirect effect has been to create inflationary expectations which have been conducive to the continued appreciation of equity prices within London's stock markets. In turn, such buoyancy has sent positive signals to inward investors in terms of potential shareholder value in Britain, and this has provided the government with ample legitimation for maintaining its current wage policy. Hence, the cycle of constrained pay increases and unconstrained share price increases begins again, with perceptions of the need to facilitate inward investment serving to deactivate opposition to its reproduction.

Note, however, that it is unnecessary to appeal to globalisation in order to explain this cycle. Globalisation is only important here in one sense. The dominant discourse of globalisation has been appropriated to ensure that this redistribution of rewards from wage labourers to shareholders has taken place within a context of tendential de-politicisation. Of course, such a tendency is highly political in itself. For, it is aimed at securing a flow of material benefits for a distinct social grouping which denies inclusive access.

What is significant here is that this social grouping is already well-established in Britain. Furthermore, it also already enjoys effective control of the domestic political agenda, and has done for some time. Indeed, the last twenty years of economic restructuring in Britain merely represent one *effect* of that developing control. The acceleration of the restructuring dynamics in more recent times suggests that such control is now institutionally embedded. When New Labour explicitly accepts the logic of recent economic changes (see Blair 1994, 1999), then, it is also affirming the right of the affluent to continue to dominate the demands which are placed on the policy process. The real significance of Labour's use of the dominant discourse of globalisation to consolidate pre-existing economic trends is that this has enabled it to consolidate pre-existing political trends. Given that the latter formed the basis of its strategy for fighting the 1997 election, I suggest that a direct link exists between Labour's appropriation of the conventional wisdom of globalisation and its perceptions of the electoral constraints currently faced by all left-of-centre parties. In the following chapter, I turn to examine such a link.

CHAPTER NINE:

THE DOMESTIC POLITICAL CONDITIONS OF INTERNATIONAL ECONOMIC CONSTRAINTS: NEW LABOUR'S BRITAIN

My aim in the previous three chapters has been to remove some of the conceptual ambiguities which continue to surround the notion of globalisation. In particular, a stark contrast is apparent between the frequency with which globalisation is employed as an explanatory variable, and the similar frequency with which empirical evidence even for the existence of globalisation is found wanting. On the basis of such findings, I have shifted the focus of the analysis away from the underlying assumption that the idea of globalisation can be called upon to perform significant analytical work. I have suggested instead that there is much to be gained from analysing the *idea* of globalisation itself. Important political work has been performed, in Britain as elsewhere, through the strategic appropriation of the dominant discourse of globalisation. In Britain, the task of defining both globalisation and its political implications has fallen almost exclusively to New Labour. In this chapter, I explore the way in which the Labour Party has constructed such definitions specifically to serve its wider electoral ends.

New Labour's electoral strategy and its economic policy must be seen as mutually constituted. However, the electoral strategy would appear to be dependent upon the economic policy in a way which just does not hold in reverse. The sheer scale of the party's success in the 1997 election (on which, see Norris 1997; Harrop 1998) was founded on its prior success in convincing its target middle-class constituencies of its suitability to manage its economic inheritance. By contrast, its ability to maintain such a reputation for 'competence' is unaffected by the size of its parliamentary majority. This in itself may be sufficient to suggest that perceived electoral imperatives shaped perceived economic imperatives, and not the other way around. At the very least, this chapter will be grounded in the assumption that Labour has engaged so actively with the dominant discourse of globalisation only because of its specific understanding of the electoral environment in which it was situated.

The 'Public' and 'Private' Faces of New Labour's Neo-Liberal Conversion

New Labour has been fundamental to the way in which ideas about globalisation have permeated popular political debates in Britain. It would be an exaggeration to say that, without the Labour Party's lead, globalisation would not be an issue at all in Britain. That said, however, such a lead *has* been significant in linking global economic trends quite so closely to a political logic of neo-liberal necessity. It has been unusual to hear Conservative politicians use the idea of globalisation in this manner. They tend instead to reduce commitments to economic neo-liberalism merely to a statement of ideology. It has typically been left to Labour's leaders to enlist the conventional wisdom of globalisation for political purposes.

That, at any rate, has tended to be the case when the party's leaders have discussed its increasing acceptance of neo-liberal economics in public. The 'public face' of New Labour has narrated the structural constraints of the prevailing political environment as being primarily external in origin and economic in nature. Globalising imperatives have been appealed to whenever the party leaders have tried to convince anyone other than Labour Party members that 'New Labour' was more than mere electoral expedience. The idea that globalisation allows no opt-outs has been used to demonstrate a substantive commitment to the fiscal and monetary policy priorities of a strictly orthodox macroeconomics. In this way, it has helped to overcome concerns that pre-election pledges to leave the existing economic settlement intact would not last long into the post-election period. The dominant discourse of globalisation has therefore been used not merely to placate the 'fears of the markets'. Behind these abstract façades of 'markets' lie real people (see Watson 2000a). More importantly for its electoral strategy, New Labour's ability to present itself as a party which was sensitive to the 'demands' of globalisation enabled it to placate the fears of those elements of the middle-classes who have their savings invested on the financial markets. In using globalisation rhetoric to force the image that they were 'on message' with the markets, Labour's leaders have also been able to show Britain's middle-classes that they would speak up directly for their interests.

It is in this latter respect that New Labour was able to derive the most obvious political benefits from having "banished the 'fear factor'" (on which, see Kellner 1997: 622). To put it somewhat crudely, financial markets do not vote in general elections, whereas the middle-classes do. It is often said that financial markets do not like governments who fail to share their enthusiasm for fiscal austerity, and also that globalisation has furthered their ability to register that displeasure amidst a flurry of disinvestment. For New Labour, however, a rather different issue was the most pressing concern. As David Butler and Dennis Kavanagh suggest, the general election defeat in 1992 had convinced Labour's leaders that the party had no choice but to "accommodate a more ... economically conservative electorate" (Butler & Kavanagh 1997: 48; for a dissenting view, see Norris 1993). Assuming that its target constituencies would vote for nothing other than the tax and spend status quo, the party's strategy for fighting the 1997 election consequently revolved around accepting such demands. Financial markets may well be thought to object to an active fiscal policy by withholding their investments. However, the Labour Party's main concern about countenancing such a stance lay in its assumptions that Britain's middle-classes were likely to display similar objections by withholding their votes.

Once again, we appear to have an instance in which globalisation is superfluous to political outcomes which are so often attributed to it. Certainly, it is noticeable that globalisation is almost entirely missing from the party's own explanation of its neo-liberal conversion when it is its 'private face' which is on view. When Labour's leaders have sought the assent of its membership to quicken the reform of the party's policy commitments, perceived electoral imperatives have tended to be the justification. Tony Blair's first speech as leader of a post-Clause IV Labour Party in 1995 is illustrative in this respect (see Seyd 1997). Speaking directly about the task of leading the party in the forthcoming election, he told his audience that he was not interested in leading a party of opposition: “This is a party of government or it is nothing”. “Principle without power is futile,” he argued, as a means of sensitising the party membership to the possibility that he would do whatever it took to make Labour electable once more (see Blair 1995a). From that time onwards, the ‘private face’ of New Labour has rationalised almost all revisions to party policy in terms of the need to re-connect with those voters who were politically mobilised during the Thatcher years to aspire to be upwardly mobile. When called upon by party members to defend its increasing acceptance of neo-liberal orthodoxy, New Labour’s reasoning has typically made little reference to global economic trends. The ideas which appear to have done most to energise the leadership’s ‘modernised’ macroeconomics has been that Labour had ceased to be “the party of the aspirational classes” (Streeter 1996: 13). That is, the ‘private face’ of New Labour has assumed that the structural constraints of the existing political environment are primarily internal in origin and electoral in nature.

Thus, New Labour would appear to present two contrasting accounts of its own neo-liberal conversion, depending on its likely audience. In many ways, this can be seen to mirror the main division in the existing academic literature on the Labour Party’s ‘modernisation’ process. This literature tends to be split into overly economistic and overly politicist explanations of change. On the one hand, we see the ‘public face’ of New Labour promote globalisation as the progenitor of change. Politics is thus reduced to a state in which it is merely functional to the reproduction of a governing economic essence. Globalising tendencies are argued to come complete with an attendant blueprint for future political action. On the other hand, we see the 'private face' of New Labour highlight the political as cause rather than effect. Here, the emphasis is on perceived electoral imperatives as the essential prerequisite of change.

In what follows, I attempt to construct an analytical position which begins to move beyond a stylised opposition between 'politics' and 'economics'. I do this by focusing on the idea of globalisation rather than on globalisation per se. Globalisation itself may well be superfluous to explanations of Labour's neo-liberal conversion, as the 'private face' of New Labour suggests. However, the same cannot be said of the dominant discourse of globalisation. New Labour has presented that discourse as 'conclusive proof' that no government now has the ability to direct capital. The force of the party's commitment to that conventional wisdom does not, of course, necessarily render that convention 'true'. Indeed, I have argued against such a conclusion in much of the preceding chapters. In this way, I have attempted to challenge the assumption that the Labour Party is faced by a series of *objective* economic constraints. I have suggested that Labour has engaged actively with the constraints that a truly global circuit of capital would be likely to impose primarily for electoral reasons. However, this is not necesssarily to claim that the Labour Party is faced by a series of objective *political* constraints either. There should be no rush to replace overly-structuralist assumptions about the prevailing economic environment with overly-structuralist assumptions about the prevailing political environment.

This perhaps requires further explanation. There can be no doubt that Labour's chosen construction of globalisation is to emphasise the extent to which it acts as an economic straitjacket for its political aspirations. I am also in little doubt that such a construction serves primarily as a means of arguing credibly that middle-class interests will continue to be articulated to domestic economic policy, even under a Labour government. Yet, there is no sense in which New Labour has been *structurally* bound to follow such a strategy by some underlying political logic. There would appear to be at least two distinct trajectories which the party could have adopted in terms of its strategy for fighting the 1997 election. On the one hand, it could have attempted to deconstruct the liberal ideology which dominates the context through which 'normal politics' is understood in Britain. It is this ideology which has effectively marginalised arguments for progressive redistribution, and which therefore serves to maintain middle-class control of the domestic political agenda.

Of course, Labour took a deliberate decision not to challenge that control. As such, there was no attempt to instigate a successful war of position within society. Any talk of winning 'hearts and minds' was only in terms of convincing the electorate that Labour was capable of managing the existing economic settlement. There is certainly little indication that it was trying to win over the electorate by mobilising it politically to a counter-hegemonic project. There has been no qualitatively new political agenda for managing the British economy since the 1997 election, mainly because the Labour Party offered no prospect of such an agenda at that election. As Richard Rose states quite bluntly, a strategic decision was taken to make a virtue out of "refusing to fight Thatcherism" (Rose 1997: 751). Such a claim is more difficult to sustain in some spheres than in others (on which, see Barnett 1997; Lister 1997; Norris 1998; Prabhakar 1998;

Evans 1999). Yet, its unwillingness to be seen attempting to undo the political economy of Thatcherism has been particularly stark. It was through a distinctive political economy project that the Thatcher governments of the 1980s first presented themselves as the champion of the middle-classes. Moreover, the fact that New Labour has subsequently striven to re-position itself as the guardian of that political economy represents a clear attempt to be seen defending the middle-class gains that Thatcherism made possible.

A significant element of choice is in evidence here. The Labour Party obviously had no choice in the 1980s about being faced by Conservative Governments who were determined to restructure the capital relation in line with the interests of its middle-class constituencies. Yet, it *has* had a choice about whether to respond to that restructuring by accepting or challenging it. As a consequence, it is necessary to reject assumptions that the Labour Party's conversion to neo-liberal economics has been determined by a series of objective constraints existing within the domestic political environment. Such constraints are constructed in the same way as those relating to the external economic environment. I have argued in previous chapters that the explanation of neo-liberal convergence between the main parties revolves less around global economic trends than it does dominant ideas about globalisation. I would now like to rehearse a similar argument in this chapter. It is not so much actual middle-class intransigence which has made the Labour Party so wary of challenging the legacy of Thatcherite economics. Rather, it is the dominant political discourse of 'taxpayer revolt' that casts such a shadow over the prospects for progressive redistribution (see Norris 1993).

It is perhaps important that the comparison between the party's construction of the constraints it faces which are external in origin and economic in nature, and those which are domestic in origin and electoral in nature, is not pushed too far. Certainly, there would appear to be one big difference between them. I concluded the previous chapter by suggesting that the available evidence pointed to Labour being fully aware that its globalisation rhetoric routinely overstated a far from global reality. By contrast, there is a distinct lack of evidence for applying a similar argument to its perceptions of domestic electoral constraints. When New Labour has spoken of its inability to re-politicise the fiscal agenda, its concerns for taxpayer revolt really do seem to be genuine. In the minds of Labour's leaders at least, there would appear to be a great degree of symmetry between rhetoric and reality in this instance. Put simply, New Labour argues that a redistributive tax agenda would harm its electoral prospects precisely because it believes this to be the case.

Taxpayer Revolt and Electoral Crisis

The overall aim of Labour's post-1987 'modernisation' is perhaps best captured by the party's own notion of 'reconnection' (see Smith 1992; Gamble 1992). In strict electoral terms, reconnecting with society has meant a concerted attempt to re-embed the party within an electorally viable coalition of social forces. 'Modernisation', then, is inextricably linked to the party's perceptions of electoral crisis (Coates 1996; Panitch & Leys 1997; Sassoon 1998).

However, if the *extent* of the party's electoral crisis became increasingly obvious from 1979 onwards because of four successive general election defeats, the party's diagnosis of the *nature* of that crisis has been less clear-cut. The struggle for the context in which the crisis was to be understood split the party in the early 1980s. Moreover, the ensuing divisions remain to this day. Indeed, the current leadership has actively courted awareness of such a split, using it to promote comparisons between Old and New Labour which have been distinctly self-serving. For those within the party resistant both to the pace of 'modernisation' and to the leadership continually emphasising its 'inevitability', the key to electoral rejuvenation has always been in the ability to better mobilise Labour's natural voting base to a traditional working-class programme (on which point, see Shaw 1994: 200-2). For those determined to drive the 'modernisation' process to its logical conclusion, such reasoning was seen more as the cause of the party's electoral problems than their solution. Looking back at the post-1987 Labour Party, Colin Hughes and Patrick Wintour write of the "forbidding intensity of [the modernisers'] purpose and their contempt for those party members who did not share [the same] priorities" (Hughes & Wintour 1990: 203). The element of the 'modernisation' project which prompted most of that intensity - and, indeed, most of the contempt which was aimed at dissenters - was the attempted mobilisation of brand new constituencies to the party's colours. If that required liberating the party from its own political history in the search for power, then (for the modernisers at least) so be it.

As David Butler and Dennis Kavanagh suggest, the 1992 general election proved to be a watershed in the course of the 'modernisation' process (Butler & Kavanagh 1997: 46). Given the wider political and economic contexts within which the election was fought, most of the party leadership considered it 'unlosable' (Heffernan & Marqusee 1992). If the history of post-war British politics tells us just one thing, it is that incumbent governments find it more difficult to win elections when either political or economic conditions turn against them. When both are unfavourable at the same time, expectations of a change in government run especially high. However, the Major Government inflicted the Labour Party's fourth successive defeat in 1992 with a far from popular leadership and at the bottom of a protracted recession. The modernisers' reaction to that defeat was to adopt a position which served to justify the trajectory upon which it had already set the party. Buoyed by a series of leading articles in the popular press which were arguing a similar line, the modernisers concluded that the party was in danger of rendering itself structurally unelectable were it to continue to appeal solely to its traditional voters (King 1993).

The argument was simplicity itself. The party's core voting block was assumed to have shrunk so significantly because of wider social trends that future electoral arithmetic was always likely to work against it unless a broader voting base was established (see Margetts & Smyth 1994; Nairn 1994). Two tendencies need to be emphasised in this respect. Firstly, Thatcherism was assumed to have accelerated a pre-existing tendency towards social mobility. Put in somewhat crude terms, the number of working-class people with genuine working-class concerns was perceived to be getting smaller. As such, the future for any party espousing a distinctly working-class agenda appeared rather bleak (Denver 1998). Thus, incremental yet cumulative changes in the social structure were seen to have marginalised Labour from the electoral mainstream (Kellner 1997; Norris 1997). Secondly, Thatcherism was also assumed to have impacted - and this time more significantly - on *aspirations* to social mobility. Therefore, not only has Labour been disadvantaged by a declining working-class base, it has been doubly disadvantaged by the fact that an increasing number of the remaining working-classes have come to feel disinclined to vote for an explicitly working-class agenda.

It has become a psephological common-place to argue that, across the board, class-based loyalties now play a diminished role in voter decision-making (see Sanders 1998). In practice, however, this ostensibly general trend has effected distinctly one-way outcomes. The middle-classes have not shown themselves to be any less inclined to vote for parties seeking to defend middle-class interests. It is only the working-classes who seem to be in the process of dissolving traditional class alignments. This is certainly the assumption to which the Labour Party would appear to be operating. As a consequence, it has chosen to re-define its electoral appeal, focusing less attention on trying to mobilise the working-classes and more on trying to mobilise the aspiring middle-classes.

The advent of New Labour itself is perhaps the single biggest example of the way in which this assumption has come to dominate party thinking. Remove the idea that the outcome of British elections is now decided by the votes of those aspiring to social mobility (on which idea, see Hall 1992), and perceptions of the electoral imperatives on which New Labour was founded become increasingly difficult to sustain.

Assumptions of the strategic significance of Britain's 'contented majority' have had a particular impact upon the party's fiscal policy priorities. Its tax plans were the first to be recast so that they posed no sense of threat to the living standards enjoyed by such constituencies (Sanders 1996). The party's belief that it could 'get away with' making the middle-classes contribute more of their income to finance state expenditures accordingly became a major casualty of perceived changes to the social structure of its own support (cf Norris 1993). The 'voice of Basildon' at the 1992 election was assumed to be the authoritative voice of the voters the party had to win if it was ever to form a government. Labour's leaders thus set themselves the task, quite literally, of reducing the 'price' of not voting Conservative. In 1992, the party was accused of having lacked a clear message to match the Conservatives' simply stated preference for getting the tax system off voters' backs (Lipsey 1992). Five years later, it had closed this gap by moving decisively towards the Conservatives' political terrain. The success of such a strategy is plain to see. By abandoning commitments to more progressive forms of taxation, the party not only changed the relative 'price' of voting Labour. It also brought many more people into that particular market as it did so.

Of course, by accepting that no political space now exists for re-politicising the fiscal agenda, the Labour Party has given up more than merely one means of institutionalising progressive redistribution. It would appear to have given up on the ends of redistribution as well (Coates 1996; Shaw 1996). Traditional left mobilisation, aiming to use the personal tax system to drive collective social advance, appears very much as yesterday's issue when set within the context of contemporary British politics. Certainly, the only occasions on which Labour has mentioned tax-based redistribution since the 1992 election has been to assure the middle-classes that it had no desire to revive the class antagonisms of the past through a 'punitive' economic policy. Indeed, the 'classlessness' which has been the hallmark of the party's economic stance following the advent of New Labour has been struck on distinctively 'middle-class' terms. At the very least, its programme has been tailored to those who understand their interests as being served by policy commitments couched in terms of a middle-class 'classlessness'.

New Labour as a Party of Middle-Class Common-Sense

The manner in which the Blair Government approached the 1997 election merely affirmed the existing social hierarchy in Britain. As Roy Hattersley concludes, "the sceptred isle [is] firmly under the control of the suburban middle-classes" (Hattersley 1998: 385). Although New Labour offered the promise of improved welfare, its manifesto commitments indicated that this was to be sourced at lower cost. Similarly, its calls for an increasingly compassionate society mandated no-one to pay for its creation. As Leo Panitch and Colin Leys suggest, the vision of 'national renewal' which the Labour

Party presented to the electorate in 1997 "could not help giving the impression of insubstantiality" (on which point, see Hay & Watson 1998: 34-40). As they explain, "it is difficult to appear weighty and forceful if what you propose is essentially to do better with less" (Panitch & Leys 1997: 259). This observation is well made. However, it could also be slightly to miss the point. The Labour Party's concern to be seen to be offering the prospect of doing 'better' may well have been of only secondary importance. It is possible that its primary aim was *precisely* to be seen making do with less. For, this provided a means of presenting conclusive evidence that the party was now 'on message' with its perceptions of the tax demands of its target constituencies.

Of course, such a conclusion represents a rather different interpretation of the Labour Party's actions as compared with that of the party itself. I am suggesting that Labour's leaders now accept that the particular interests of the middle-classes should be articulated to the general interest of society as a whole. Hence, I concentrate on the distinctive normative position which Labour has adopted. By contrast, the party prefers to suggest that it has merely accepted the 'common-sense' demands of the environment in which it finds itself. As such, it is technical questions which are being emphasised. For the current leadership, the very essence of New Labour has been to liberate the policy-making process from the ideological battles which have dominated twentieth century politics, but which the Prime Minister has declared "irrelevant" to contemporary events (Blair 1997a). The key to understanding the party's policy programme is to be found, according to offical party line at least, in the search for objectives which "all 'right-minded people' support" (Hattersley 1998: 384). Arguments constructed through the perspective of ‘class’ have therefore been rejected, their overt politicisation being viewed as “nothing but obstacles to good thinking” (Blair 1997a). In the party’s own terms, then, New Labour cannot be seen as a middle-class party, because it privileges issues of technical competence over any form of group identification. Tony Blair’s blatant disregard for “ideological blueprints”, and his associated commitment to “doing ... what works”, is emblematic in this respect (Blair 1996b, 1999). New Labour therefore constructs itself not so much as a party of the middle-classes as a party of ‘common-sense’.

Adopting a Gramscian perspective, however, these two descriptions need not be mutually exclusive. The essence of ‘common-sense’ for Gramsci was a situation in which a specific interest was articulated to the ‘national-popular interest’ in the general absence of political mobilisation in favour of alternative visions of society (Gramsci 1971: 130-3; Poulantzas 1978; Carnoy 1984). ‘Common-sense’ therefore relates to much more than merely technical concerns. To the extent that it signifies the parameters of future political possibilities, ‘common-sense’ is itself a highly political construct. Moreover, it is necessary to emphasise that it *is* merely a construct. As such, a given set of circumstances is capable of sustaining a whole range of possible ‘common-senses’. Which of the competing ‘common-senses’ will prevail at any given moment is, of course, dependent on the dominant political dynamics of that time. For electoral reasons, New Labour has increasingly ruled itself out from leading the popular mobilisation of new political dynamics in Britain. As such, it has shown no desire either to wrest control of the policy agenda from the country’s middle-classes or even to question the ‘common-sense’ on which that control is founded. Insofar as Labour is a party of ‘common-sense’, then, it is undoubtedly a party of middle-class 'common-sense'. The only sense in which its leaders appear to have dissolved the category of 'class' within British politics is through rendering middle-class values so unambiguously as *the* values to which the whole of society should be aspiring (Blair, Interview with BBC News, 03.09.99). New Labour is a living embodiment of the fact that, to be *considered* classless within the terms of contemporary British political culture, it is necessary to espouse an *actual* middle-class agenda.

That such an agenda is increasingly uncontested by the parliamentary left in Britain owes much to the political economy of globalisation. Ever since the collapse of the Thatcher Government's Medium-Term Financial Strategy, globalising dynamics have replaced monetary targeting as the means through which a strictly orthodox macroeconomic policy has been insulated from potential political rearticulation (Bonefeld & Burnham 1996). Just as the Thatcher Governments were more interested in the social and political functions which monetarism could perform than the economic purity of monetarism per se (for interpretations of this claim from right and left respectively, see Bulpitt 1986, McDowell 1991), so it is with New Labour and its strategic appropriation of the dominant discourse of globalisation. New Labour has used its relatively free hand in defining what globalisation is to mean in Britain in order to increase its chances of re-embedding itself within the middle-class voting block it now sees as hegemonic. This it has achieved through manufacturing consent for the sheer 'unquestionability' of the neo-liberal ideology which serves the material interests of the dominant middle-class voting block. The dominant discourse of globalisation has been functional to such an end insofar as it asserts that in present circumstances there are, in any case, no viable alternatives. Continually repeating the main claims of the globalisation hypothesis has enabled the party to present its conversion to a middle-class agenda in a 'taken-for-granted' manner. The 'common-sense' character of its appeal to Britain's middle-classes has in turn allowed that appeal to be treated as credible, and such credibility has subsequently paid dividends in terms of potential electability.

However, it is important to note the way in which the ends of electoral rejuvenation have been used to justify the means of eliminating strategic visions of society which fail to conform to pre-existing political norms. Globalisation rhetoric has been appropriated by the Labour Party to disempower potential resistance to such conformity. Beyond that, the image of globalisation as a causal phenomenon is much more difficult to sustain. The important dynamics at work here would appear to be primarily political. For instance, it is unlikely that the electoral pay-offs to using the conventional wisdom of globalisation would have been as spectacular as they were had a successful war of position against egalitarian ideals not been fought before-hand within the party. It is necessary to remember that the Labour Party was already moving to meet an electorate whose centre-of-gravity it considered to be to its right before it began to engage actively with globalisation's dominant discourse of 'neo-liberal necessity'. Indeed, it was only when set within the context of such a move that this discourse was able to resonate quite so deeply with its new target constituents amongst the middle-classes. Remove from the equation the Labour Party's rightward drift from the time of the Policy Review onwards, and two conclusions immediately present themselves. Firstly, it is far from certain that the party would have been in a position to approach the middle-classes with the sort of commitments which formed the basis of its 1997 manifesto. Secondly, even if this had not proved to be the case, it is most unclear that the middle-classes would have found such commitments believable. Moreover, no amount of globalisation rhetoric would have been sufficient to bridge this 'credibility' gap had the Labour Party not already begun to accept the political demands which globalisation is argued merely to confirm.

As such, it is clear in this instance that New Labour's globalisation rhetoric serves as a post hoc rationalisation of a political project of change upon which the party was already embarked (Watson 1999b). The current leadership's desire to be seen distancing itself from much of the party's past represents acceptance of a future constructed by others (see Heffernan 1996). When Labour talks of the imperatives of 'competence', it is necessary to ask: 'competence on whose terms?'. Equally, when it talks of the imperatives of 'credibility', it is necessary to ask: 'credibility on whose terms?'. Unquestionably, the answer is not its own, nor yet that of its traditional voting base. As Colin Hay suggests, Labour's modernisation has been driven almost exclusively by electoral considerations, and hence a desire to end the "one-party political settlement" prevailing in Britain since the election of the first Thatcher Government in 1979. Yet, its strategy for modernisation has seen the party "accommodate itself to the *content* of that settlement ... committing itself to operating within the confines of a 'one-vision polity'" (Hay 1997b: 4).

Even the fact that it has chosen to use the language of 'competence' and 'credibility' in the way it has is indicative of such a tendency. For, New Labour has engaged only minimally with trying to rearticulate the dominant meanings which are attached to such language within public discourse in Britain. As such, the strategic vision of 'competence' and 'credibility' to which Labour Party economic policy is now oriented remains fundamentally intact from the days of Thatcherite government. It is 'credibility' to manage the economy on agreed principles of neo-liberal necessity which New Labour seeks, and 'competence' in the eyes of the financial market guardians of middle-class interests which it espouses.

Whilst the extent of the reach of Thatcherite values into British society remains much debated (see, for instance, Crewe 1988), their effect on the dominant political vocabulary of the day should be less in doubt. The distinctive success of Thatcherism lies less in its ability to reshape British political institutions (see Riddell 1983; Marsh & Rhodes 1992; Kerr & Marsh 1999), than in its ability to reshape the language which was used to constitute the understanding of 'normal politics' in Britain (see Hall 1979; Hall & Jessop 1985; Leys 1990). Under the influence of New Labour, this language continues to set the discursive parameters within which systemic 'common-sense' is currently articulated in British politics. If key floating voters can be thought to possess anything which resembles a 'collective will', then it is now assumed that this can only be tapped into by using the terms popularised by the New Right in the 1980s. This goes some way to explaining the continued ascendancy of discourses of 'self-help', 'individual morality', 'aspirations', 'social mobility', 'competitiveness' and 'market necessities'.

As Stuart Hall suggests, 'Old' Labour appeared anachronistic in relation to the rest of contemporary British politics primarily to the extent that it refused to engage anything but critically with such language (Hall 1992). Even after the completion of its post-1987 Policy Review, opinion poll data indicated that the party's continuing unease with talking the language of 'competitiveness' and 'market necessities' was understood by the electorate to be a scepticism about socio-economic change more generally (Lipsey 1992; Kenny & Smith 1997; Kellner 1997). Yet, it was precisely these dynamics of change which the Conservative Governments of the 1980s and 1990s had successfully linked to the prospect of social mobility (Leadbetter 1987). It appears that very few people actually believed John Major's argument that a vote for the Conservatives in the 1992 election necessarily meant that economic recovery would begin the next day (Heath, Jowell & Curtice 1994: 276). Equally, however, the broader message about harnessing the wider dynamics of change to lead not only to improved economic performance, but also the fulfillment of aspirations to social mobility on the back of such improvements, struck a sufficiently responsive chord to ensure a further defeat for 'Old' Labour (Hall 1992; cf Norris 1993).

In response to that defeat, Labour's modernisers began to search for a set of ideas which they believed would enable them to be taken seriously when they spoke of the 'competitive imperative' and the 'demands of the market environment'. Such a search centred on the dominant discourse of globalisation. The use of globalisation rhetoric has allowed the party to highlight perceptions of a brand new phase of capitalist development, the like of which has never been seen before (see Watson 2000c). Moreover, as this logic has diffused and penetrated political structures, it is further assumed to have swept away the sedimented institutions and dominant norms of a now bygone era. Even the familiar addition of the prefix 'New' to the party's name is testament to such an assumption (on which point, see Hay & Watson 1998).

The subsequent suggestion that New Labour is dedicated to working "with the grain of global change" (Blair 1996b) has been used not only to force the distinction between 'Old' and 'New', but also to force the party's new-found appeal to the middle-classes. New Labour has consciously attempted to remove the last lingering doubts that it may be suspicious of the social benefits of economic change by demonstrating that it is 'on message' with the most exaggerated period of economic change yet witnessed. A complex process of mutual articulation between 'globalising realities', 'competitiveness concerns', 'qualitative novelty', 'individual aspirations' and 'social mobility' is therefore in evidence. In the following section, I seek to shed more light on such an articulation by focusing explicitly on the party's changing understanding of the competitive imperative.

New Labour's Discursive Construction of the Competitive Imperative

New Labour has tended to link issues of domestic competitiveness to the fact that all national economies now exist within a single global system of market forces. We are told that the 'stateless' character of liquid assets flowing through the international financial markets has effectively uprooted the domestic capital relation, displacing it to a higher spatial scale than the merely national. It is governments' inability to disrupt the boundless nature of contemporary financial flows which has consequently locked all states into a head-to-head struggle for scarce economic resources. Even modest uncertainty within the markets that a government is fully in tune with the demands of the competitive imperative is considered sufficient to trigger destabilising disinvestment. Moreover, all governments are now assumed to be fully sensitised to the speed with which the financial markets can punish policy 'mistakes'. That knowledge is all that has been required to ensure that globalising realities have become a disciplinary anchor for government economic policy.

In this, as with so many other aspects of New Labour's use of globalisation rhetoric, there is much of which to be sceptical. Firstly, it is necessary to question the economic logic of the link between the dominant discourses of globalisation and the competitive imperative. Such discourses are so obviously self-referencing. Should we choose to relax any of the assumptions on which one is based, then the conclusions of the other are immediately stripped of their grounding. On the one hand, concerns for a distinctively neo-liberal conception of the competitive imperative are based on a globalisation hypothesis which is simply assumed rather than proved. On the other hand, the 'necessity' of a distinctively neo-liberal globalisation process are founded on concerns that the world has become more competitive. Likewise, these concerns are simply assumed rather than proved. Question: How do we know that the economy requires a neo-liberal competitive imperative? Answer: Because it has been globalised. Question: How do we know that it has been globalised? Answer: Because it requires a neo-liberal competitive imperative. Even though it is the ease with which self-referential discourses can be rendered comprehensible which enables them to be reduced to the status of 'common-sense', this should not lead us to overlook the fact that the two discourses in question here *are* so evidently self-referencing.

Secondly, and perhaps even more crucially, it is necessary to insist that historical events be placed in their correct temporal sequence. An important chronological contradiction is involved in following New Labour's assertion that its concerns for the competitive imperative result simply from the 'realities' of the new global era. Given the date at which Labour first conceded the need to satisfy competitiveness concerns and the date at which it first pointed to the conditioning effects of globalisation, this is to have perceived cause occurring *after* observed effect. It would be difficult to deny that the idea of globalisation has been used as a powerful rhetorical device, ensuring the resonance of Labour's competitiveness discourse within public debate in Britain. Yet, globalisation itself acts as little more than confirmation that the party had been right all along in terms of the prior introduction of a more competitive edge to its economic policy. At most, then, globalisation has been instrumental in deepening the degree to which already dominant trends have been normalised as an increasingly 'unquestionable' aspect of the party's political programme.

Causal inferences cannot be drawn simply from the emergence of a global competitive imperative per se. Rather, we should be looking at the way in which the Labour Party has used the idea of such an imperative to effect wider political change. To explain this further, discourses of competitiveness are in no sense politically-neutral. The institutional 'needs' of capital can be satisfied in a number of different ways; each distinct model of capitalism serving different political ends. For instance, given active political mobilisation to such a vision of society, it is possible to construct competitive advantage through the social embeddedness of economic institutions and the de-commodification of labour (on which, see Boyer & Drache 1996). By the same token, in the absence of political parties willing to lead such mobilisation, competitive advantage tends to be constructed through attempts to disembed the capital relation from socially-oriented economic institutions (Coates 2000). The result in this instance is typically that labour is re-commodified as it is forced onto open markets which are unprotected by social legislation (see Ross 1995: 58).

This latter trajectory presents the better guide to the competitiveness strategy adopted by New Labour. In this, there is a close correspondence between the Blair Government's strategic intent, and that of the governments it succeeded. The state continues to be inserted into the capital relation to ensure that new forms of work discipline provide the basis of the government's response to the competitive imperative (Gray 1998). As its workfare policies amply demonstrate, the Labour Party now has a supply-side regime every bit as dedicated to enhancing national competitiveness through disciplinary neo-liberalism as the Thatcher Governments of the 1980s.

Globalisation may well have been the rhetorical justification for such a stance. But globalisation is not needed to explain the active courting of a distinctively neo-liberal competitiveness strategy. It is necessary to refer only to the way in which labour market restructuring has been used to emphasise those discourses of 'self-help' and 'social mobility' to which the aspirational classes are assumed to be so particularly attached. I develop an analysis of this nature in the remainder of this section.

It has become increasingly common for competitiveness concerns to be sourced directly through the terms on which the capital relation is experienced. It is the experience of workers, specifically those in low-paid employment producing goods with a high degree of substitutability on world markets, which is deemed to be important. The dominant trajectory of economic policy in Britain throughout the last twenty years has been aimed at making the domestic economy a world leader in this respect. The fact that the Blair Government has done little to distance itself from its policy inheritance in this area (see Anderson 1992: 346) is indicative of the effect which the Thatcher Governments had on restructuring the whole *idea* of economic efficiency within public discourse in Britain (Gamble 1996: 26).

For most of the post-war period, the regulatory arms of the state had been used to facilitate, even force, the continued rationalisation of the private sector as a means of fostering growth dynamics within the British economy (on which point, see Coates 1999a). However, the Conservative opposition successfully constructed a sense of enveloping national crisis in the late 1970s in order to disarticulate the perceived political rationality of such forms of economic management (Hay 1996). That crisis was assumed to have its roots in the increasing difficulty which governments of both left and right were experiencing in their attempts to impose any form of sustainable growth trajectory onto the domestic economy. Where once the state had been believed to be functional to national competitiveness, now it came to be viewed as an impediment to it. Moreover, the negative impact of an over-active state was assumed to reach beyond the economy and into society more generally. Governments which tried to manage the economy consequently became constructed, not only as a brake on the ability of the economy to grow, but also as a brake on the ability of individuals to fulfil their personal aspirations by successfully riding the coat-tails of such growth.

According to New Labour, a fundamental element of 'Old' Labour's electoral crisis was that it became unable to liberate itself from such a construction within popular political debate. Whenever 'Old' Labour presented itself to the electorate as a potential party of government, it was assumed that it did so on terms that the electorate associated with a past to which it did not want to return. In this respect, the 1987 election was perhaps the most crucial of Labour's four successive defeats. For, it was this election, played out against the backdrop of the Lawson boom, which allowed Labour's modernisers to highlight perceptions that the electorate doubted whether Labour truly understood what was required to insert the British economy into an international environment which was already believed to be highly competitive. Taking the modernisers' line, Charles Leadbetter argued in an influential Fabian pamphlet of the time that: "Neither occasional press conferences nor glossy policy documents were going to establish an association between Labour and economic dynamism" (Leadbetter 1987: 5). As a consequence of this missing link, the Conservative Government of the day held the largest lead ever recorded in response to the question of which party was considered best able 'to make Britain more prosperous'. Indeed, a majority of voters expressed concern that a potential Labour government would 'undo most of the good things that have been done over the last few years' in terms of securing the material base of that increased prosperity (Lipsey, Shaw & Willman 1989: 20-1). Such was the extent to which 'Old' Labour was accused of failing not just personal economic aspirations, but the aspirations of the country as a whole.

In particular, the fear seemed to be that a Labour government would erode the foundations of the economic growth which Thatcherite restructuring had delivered because of its refusal to privilege macroeconomic over social policy (Leadbetter 1987: 5; cf Hay & Watson 1999a). The Conservative Government was able to make Labour's policy priorities resonate strongly in populist terms - but this was in a way which was wholly detrimental to Labour's chances of forming the next government, whilst being favourable to its own. Whereas the Conservative Party repeatedly linked future economic growth to the ability to satisfy middle-class aspirations of increased personal wealth, it also suggested that Labour's leaders were only interested in future economic growth so that they might be able to satisfy *their own* aspirations to equalise wealth within society.

It is this perception, and in particular the effects it was presumed to be having on Labour's electoral fortunes, which explains not only Labour's appeal to the competitive imperative but also the precise way in which that appeal has been presented. New Labour's insistence that all competitiveness strategies must have their roots in labour market flexibility (see, for instance, Brown 1995; Labour Party 1996; Cook 1997; Blair 1997b) owes much to its perception of the need to be seen subordinating social to economic policy concerns. Somewhat paradoxically perhaps, exposing domestic labour to the rigours of a largely unregulated international market is assumed to bring electoral rewards. For, it also serves to break the link in the minds of the party's target middle-class constituencies between Labour and its former egalitarian instincts. With that link broken, New Labour has been able to talk the language of 'individual aspirations' and 'personal wealth' to Britain's middle-classes. Moreover, as the result of the 1997 election shows only too well, Britain's middle-classes now tend to believe that Labour's leaders are genuine when they do so.

To conclude, the 'public face' of the Blair Government may well continue to appeal to globalising 'necessities' in circumstances in which it faces challenges from its left over its strategies for increasing labour market flexibility. However, this notion of causality is difficult to sustain. Again, it is the dominant discourse of globalisation, rather than globalisation per se, which has the greater impact here. Even then, that impact is somewhat superficial to the way in which the Labour Party has aligned itself to competitiveness concerns. Globalisation rhetoric, and in particular Labour's use of such rhetoric to insist on being seen to be working with the grain of globalising tendencies, has allowed the party to convey precisely the image of economic dynamism which it presumed had previously been missing. As Dennis Kavanagh is surely correct to note, Blair personally has been “almost obsessive in speeches, interviews and soundbites in his use of the words ‘new’ and ‘change’” (Kavanagh 1997: 537). New Labour has chosen to understand ‘Old’ Labour’s inability to win elections through the perspective of widespread perceptions that the party had become so suspicious of novelty that its first instinct was to resist any form of change. Two decades in the electoral wilderness convinced the party’s modernisers that such an instinct had now led it to resist change which key elements of the electorate were more than willing to embrace. The party’s active engagement with globalisation rhetoric, which really took off amidst a flurry of keynote speeches by Tony Blair and Gordon Brown in the spring and summer of 1995 (Hay & Watson 1998), has served to dispel such perceptions once and for all. Accordingly, there is much of a profoundly political nature which lies behind the Labour Party’s acceptance of a fundamentally neo-liberal competitive imperative. This can only be masked by the appeal to the simple causal determinism which is to be found in the conventional wisdom.

Conclusion

I have suggested that the Labour Party's current macroeconomic stance has emerged as a result of the mutual articulation of 'globalising necessities', 'competitive imperatives', 'the limits of government', 'middle-class aspirations', 'social mobility', 'default neo-liberalism' and 'electoral constraints'. No straightforward line of causation operates between them.

My conclusions consequently stand in contrast to much of the existing academic literature in this area. There, the debate on New Labour tends to split into one of two types of argument. Recent changes in the party's policy priorities are linked either to the international economic environment in which Labour's leaders find themselves, or to the domestic political environment in which they are situated. I have attempted to break down this division between international and domestic restructuring. In particular, I have highlighted the way in which ideas about restructuring at the international economic level have been used to legitimate prior restructuring at the domestic political level. New Labour's globalisation rhetoric has found such a significant degree of resonance within popular political debates in Britain precisely because it has been used to confirm the continued reproduction of a pre-existing domestic political settlement.

As such, I have also attempted to transcend a frequently articulated divide between the dominant discourses of 'neo-liberal necessity' and 'middle-class common-sense'. Whilst it is restructuring at the international economic level which is most commonly viewed through a perspective of 'neo-liberal necessity', it would be a mistake to exclude from such a perspective the way in which that rhetoric has served to legitimate restructuring at the domestic political level. Equally, whilst it is restructuring at the domestic political level which is most commonly viewed through the perspective of 'middle-class common-sense', it would also be a mistake to exclude from such a perspective the way in which that rhetoric has served to reproduce restructuring at the international economic level. It is therefore clear that the dual discourses of 'neo-liberal necessity' and 'middle-class common-sense' do not relate to two autonomous aspects of social reality. There is no sense in which a plausible narrative of contemporary social change can be sustained when set within the context of an imagined split between one sphere called 'the economic' and another called 'the political'. Neither can such a task be fulfilled when set within the context of an imagined split between one sphere called 'the international' and another called 'the domestic'. At all times, we must simultaneously acknowledge the international economic conditions of domestic political dynamics and also the domestic political conditions of international economic dynamics (Hay & Marsh 1999: 14). Globalising tendencies are currently being generated in Britain through the complex and dialectical articulation of the domestic and the international, and of the political and the economic (Hay & Watson 1998: 16-26). Such a conclusion must be applied to both the material and the discursive construction of globalising tendencies. Quite clearly, the ability to create parsimonious models of social change are complicated still further when it is recognised that the material and the discursive realms are also dialectically related (Watson 1999b, 2000b; Marsh 1999).

CONCLUSION:

IDENTIFYING THE ACADEMIC

AND THE POLITICAL SPACE FOR EXTENDING

THE STUDY OF 'GLOBALISING OUTCOMES'

Against Globalisation as Grand Narrative

It is the nature of all academic work that it is necessarily limited; that it leaves unresolved as many issues as it answers. This comment is particularly pertinent given the subject matter of this thesis. For, in many areas of both academic and public policy debate, the image of globalisation is enlisted to play a grand narrative role. Globalising tendencies have increasingly been appealed to as a default explanatory phenomenon. Moreover, it has also come to be used as a description of, as well as an explanation for, almost every element of socio-economic change that we would currently appear to be experiencing. The possibility that those experiences may be more precisely linked to other causal factors is largely overlooked in the rush to attribute all aspects of contemporary socio-economic change to exogenous economic forces.

It is that image, of globalisation as grand narrative, that I have attempted to move beyond in this thesis. A rather startling hole still exists within the academic literature for analyses of this nature. Furthermore, guilty as much of the academic literature is of making under-specified generalisations about the dynamics of the globalisation process, the public policy-making debate tends to be based on ever cruder accounts of international economic change. Thus, both a significant academic space and a significant political space exists for re-thinking both the causes and the consequences of globalisation.

In order to address such concerns, this conclusion proceeds (albeit briefly) in three stages. Firstly, I assess the hole within the existing academic literature that I am attempting to fill with this thesis. I do this by reviewing those aspects of the thesis which I consider to be its major original contributions to the literature. Secondly, I assess the holes which still remain within the thesis itself. There are clear sins of omission in the preceding chapters, and I attempt to address these by suggesting new directions in which this analysis could be taken in the future. Thirdly, the thesis concludes in exactly the same manner as it started, by arguing that there is an awful lot at stake politically in the construction of knowledge about globalisation. I review the new political spaces which are opened up if we choose to operate with my revised reading of the globalisation debate.

Contributions to the Literature

My main aim has been to try to transcend economistic explanations of the constraints of the contemporary public policy-making environment. This is the explanation which continues to dominate both public discouse and, although admittedly to a lesser extent, the existing political economy literature on international economic restructuring. However, I suggest that such a view can only be sustained on the basis of underlying conceptual assumptions which are themselves unsustainable.

Perhaps most obviously in this respect, globalisation tends to be constructed as a purely exogenous process. The very word 'globalisation' implies a spatial scale which exists at one stage removed from domestic political dynamics. As such, it is usual for domestic political actors to be conspicuous by their absence from most accounts of the globalisation process. This is an argument which I seek to expose to direct challenge by identifying the domestic political conditions of international economic reform.

I have suggested that it makes sense to identify such conditions, because it is through domestic politics that institutional bargains are struck which make possible the social reproduction of consent to market outcomes. This has been true of the way in which market outcomes have been sustained in the past at both the national and the international level. Moreover, even though the empirical data reviewed in Chapter One implies that we are still far from experiencing a world of truly global market outcomes, if we are ever to experience such a world, then the same basic condition will surely apply. If domestic political actors do not work to secure consent for the social reproduction of market outcomes, or at the very least do not secure some sort of substitute for such consent, then the process of market formation immediately becomes more problematic. In other words, no degree of assertion of the 'inevitability' of globalisation - however powerfully argued and however passionately believed - would ever appear to be sufficient to enforce globalising outcomes, so long as the mechanism for securing social consent for such outcomes was absent.

Or would it? Given the rather different notion of causality I have used in this thesis to explain the experience of globalising outcomes, I am not so sure. Indeed, I have argued that ideas about globalisation can have an independent causal impact on the production of globalising outcomes, over and above that which can be attributed simply to the material effects of recent international economic restructuring. At the very least, then, it would seem that I have to leave open the theoretical possibility that the constant repetition of arguments about the 'inevitability' of globalisation can be used to displace the need for active consent to globalising outcomes in the absence of popular political mobilisation to resist such outcomes. Clearly, however, that is an empirical question which cannot be answered on the basis of a limited number of case studies, let alone the single case which has been presented in this thesis.

That said, an analysis of the British experience of globalising outcomes has offered a number of important insights into why the globalisation process cannot be reduced to simple determinations located in the sphere of exogenous economic forces. Contemporary British politics is noticeable for the absence of a mainstream party willing to lead resistance to the 'inevitability' of the political straitjacket which globalisation is so often said to enforce. In an important sense, then, this also means that the need for active consent to the experience of global market outcomes is also absent. For, there would seem to be no viable channels of popular representation capable of directing a withdrawal of consent from the existing regime into an alternative political project of change. Indeed, in the hands of the Blair Government, it is the constant invocation of a globalising political logic of no alternative which has been used to police the parameters of popular political mobilisation such that a withdrawal of consent from the existing macroeconomic settlement is unlikely to lead to the institutionalisation of alternatives. Thus, in present circumstances, the continued reproduction of the macroeconomic status quo in Britain depends as much on the use of the idea of globalisation to ensure political resignation that no viable alternatives exist as it does on active mobilisation to the status quo.

This is significant, because it suggests that the prior reconstitution of the material structures of the international economy need not have taken place in a manner consistent with the globalisation hypothesis for us to experience outcomes consistent with that hypothesis. Instead, the fact that a government may believe that the world has been restructured in this way could be a sufficient condition for us to experience such outcomes. Moreover, if this suggests that government actions in producing globalising outcomes are essentially unwitting, there is another explanation of this trend which suggests the exact opposite. For a range of possible reasons located in the sphere of domestic politics, it is possible that governments strategically enlist the image of globalisation specifically to close off the space for popular political mobilisation against the prevailing macroeconomic settlement. Empirical research is clearly needed to decide which of these two scenarios more closely fits the globalisation experience in any given national context.[1] Either way, however, it demonstrates that the dominant discursive construction of globalisation within that national context can have an independent causal effect on the domestic political agenda.

This is certainly what my analysis of the Blair Government's use of the idea of globalisation - and, in particular, its use of the idea of a globalising logic of political necessity - would suggest. Although it has not been my intention to write a thesis about New Labour per se, and my arguments about the Blair Government serve as no more than illustrations of wider theoretical concerns relating to globalisation, it is clear that my conclusions stand in marked contrast to those of much of the literature in this area. It has been usual for that literature to concentrate on the way in which the Labour Party has sensitised itself to policy-making constraints imposed exogenously by international economic forces. By contrast, I have focused on the way in which New Labour has enlisted the image of international economic forces specifically *as* a constraint on its policy-making aspirations. This image has subsequently been appealed to in order to render redundant forms of popular political mobilisation resistant to the status quo of British politics.

This has been particularly important to New Labour, given the party's history of leading resistance to the type of macroeconomic regime which currently constitutes the status quo in Britain. Indeed, the party's present leaders would seem to have identified a clear contradiction between that history on the one hand, and what it had become required to do to secure its own electoral rejuvenation on the other. The party has come to perceive the 'impossibility' of leading Britain's electorally-ascendant classes to resist the macroeconomic status quo. In such circumstances, the strategic appropriation of globalising rhetoric has paid rich dividends. On the assumption that globalisation rules

[1] Of course, it may prove difficult to differentiate precisely between these two causal tendencies purely at

out all macroeconomic alternatives, the appeal to a political logic of no alternative has successfully immunised New Labour from even having to ask Britain's electorally-ascendant classes whether they would be prepared to be led away from the prevailing status quo.

Of course, it would be wrong to extrapolate from this single case to suggest that these conclusions represent a more general 'state of the world'. Clearly, different governments will attempt to drive their domestic political agendas through the construction of a logic of 'globalising imperatives' for a range of different reasons. Equally clearly, the nature of those 'imperatives' is likely to differ from case to case, depending on the dominant form of political mobilisation existing within the country under review. The need for a more explicitly comparative perspective than that presented here would therefore seem to be compelling.

Avenues of Future Research

The most obvious direction that my work could take in the future would be to place more empirical flesh on the bones of the theoretical framework which has been outlined here. My aim has been to assert the need to study the domestic political conditions of

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the empirical level.

international economic reform. I have argued that reform dynamics are in no sense the manifestation of a generic logic or a single tendency. In this respect, it should be clear that it is not even necessary to make the assumption that 'globalisation' is a global phenomenon. Rather, both globalising tendencies and the political 'necessities' they are assumed to summon are produced politically, through the concrete process of historical struggle. Such a process continues to be dominated by attempted mobilisation in and through domestic political structures. Given the differentiated nature of that struggle as it crystallises in different countries, it is more plausible to talk not of a singular logic of globalisation, but of very many different logics. As a result, it is to be expected that these different globalising tendencies will reveal themselves in different globalised outcomes. The focus of future empirical research in this area should therefore be the historical specificities both of the way in which globalised outcomes are produced, and also of the way in which such outcomes are experienced.

Two conclusions appear most prominently from the preceding analysis. Firstly, I have argued that it is not necessary to experience globalisation per se in order to experience outcomes consistent with the globalisation hypothesis. Secondly, I have argued that such experiences are likely to be the product of nationally-distinct processes of causation. As such, causal influences which can be identified in one particular setting cannot automatically be argued to apply in others. Sustained empirical comparisons are therefore required to reveal the extent to which any single causal influence should be viewed in specific or general terms.

Such comparisons could reasonably be expected to shed more light on the substantive features of the constitutive role which the discursive construction of globalisation has on its material construction, and also of the causal role which ideas about globalisation have in the production of globalising outcomes. It has been suggested at quite a high level of theoretical abstraction that these relationships will hold at all times. Yet, in practice, their particular manifestation is likely to vary from case to case.

It is usual for spatial comparisons to be introduced into empirical research in order to try to pick up on cross-case variance (on which point, see Rose 1991). However, whilst this would also seem to be the most obvious means of extending the study from its present focus, it is not the only means. In general, there is utility in comparing across time as well as across space (Mackie & Marsh 1995). Clearly, given the extremely contemporary nature of the globalising moment, at present it is simply not feasible to undertake sustained temporal comparisons of different forms of the globalisation experience in Britain. That said, there is ample reason to believe that such a comparison may not only be feasible some time in the near future, but also highly instructive.

Moreover, it is not only potential swings of electoral fortune which could make such a comparison fruitful. For example, the most interesting aspect of Gordon Brown's most recent Budget was the extent to which New Labour would no longer appear to find it necessary to appeal to the conditioning effects of globalisation in order to rationalise the production of outcomes consistent with the globalisation hypothesis. From the party's 'discovery' of globalising tendencies some time around 1994, through the general election of 1997 and right up to the week before the 1999 Budget, the image of an objective structure of global capital flows appeared ever-present. By contrast, the Blair Government's third Budget - which was widely publicised in the media as being "*the* defining moment" of New Labour (see *The Mirror*, 10.03.99: 8) - was justified purely on its own terms. All references to a governing global economic essence had been erased.

Of course, it remains to be seen whether this continues to be the case. However, irrespective of what the future holds, the third New Labour budget offers two valuable insights into the need for future research in this area. Firstly, it shows that it is more than feasible for governments to re-negotiate their understanding of precisely what globalising pressures imply. Secondly, it also shows that governments do negotiate their own understanding of those pressures in the first place.

Moreover, it is not only the changing features of the domestic political environment which may have an influence on the way in which New Labour chooses to construct globalisation in future time periods. In addition, there are also likely to be new constraints emerging from the international economic environment which will have more of an effect on its understanding of systemic imperatives than they do at this moment. Perhaps most significantly, New Labour's construction of globalisation has emerged from a political context in which discussions of the formal processes of European monetary union have been almost entirely absent. Yet, from the signals which have recently emerged from both the Prime Minister's Office and the Treasury, it is possible that this situation will not hold much longer. There has still been no definitive statement about whether the government is preparing to head the campaign for taking Britain into the Eurozone some time after the next election, but there is every indication that discussions about EMU are likely to feature more prominently in public discourse in the future than they have in the past. In such circumstances, all appeals to the notion of economic 'necessity' will have to take account not only of globalisation, but of the processes of European monetary union as well.

The restructuring of the economy in Europe is a multi-dimensional process which extends beyond globalising norms to integrationist tendencies. As such, a study of the current restructuring of any single European economy would preferably include, not only an appreciation of each aspect of this multi-dimensional process, but also an appreciation of the interactions between them. At present, however, it would be reasonable to suggest that the existing literature on socio-economic change within western Europe tends to be boxed off into separate analyses of the individual tendencies which are driving that change. There are only a limited number of studies which do not treat globalisation and European integration as isolated aspects of the current historical moment. Of these, the number which focus specifically on the interaction between the two is even smaller.

However, there are good reasons for extending the scope of this thesis in order to take account of that interaction. For instance, it would seem to make sense to ask about the extent to which European integration might be seen as attenuating, exacerbating or even initiating tendencies towards the reconstitution of economic 'common-sense' throughout contemporary Europe. Perhaps most significantly, further attention needs to be paid to the extent to which the Maastricht convergence criteria in particular might be seen as the proximate cause of many of the effects more frequently attributed to globalisation (see, for example, Watson 1998b). Even the most cursory glance at the dominant discourses of 'economic necessity' currently in operation in Europe would suggest that very different appeals are being made to the processes of European integration and globalisation in justifying redrawing the parameters within which the capital relation is currently experienced (see Hay, Watson & Wincott 1999). Once again, it is necessary to caution against the analysis presented here being read as a general theory of globalisation. As Peter Taylor-Gooby argues, for instance, of the four G7 economies in Europe, only France shares with Britain the greater emphasis which is given to restructuring concerns linked directly to a set of ideas about globalisation. In Germany and Italy, by contrast, the Maastricht convergence criteria have tended to dominate the public discourse articulating changing understandings of economic 'necessity' (Taylor-Gooby 1996).

The introduction of a far-reaching comparative perspective into the analysis - not only in terms of *who* is studied but also in terms of *what* is studied - may well serve to further blur the causal influences which have traditionally been attributed to globalisation. For, it is clear that the appeal to globalisation is by no means a global appeal. This is not to say that public discourse operates anywhere without reference to conditioning effects existing within the external economic environment. Yet, such effects, which until recently have been perfunctorily described as 'globalising imperatives' by New Labour in Britain, are just as likely to be understood elsewhere in Europe as an outcome of the process of monetary integration. Moreover, with the likely introduction of the Stability Pact, which will police the parameters of autonomous fiscal policy even more rigorously than did the Maastricht convergence criteria, it would appear reasonable to expect that the rhetorical link between conditioning effects in the external economic environment and European integration will become even stronger in the future.

New Academic Spaces and New Political Spaces in the Study of 'Globalising Outcomes'

As the complex institutional bargains which form the basis of European monetary union demonstrate, the restructuring of the international economy is clearly politically-driven. This is an issue which is all-too-frequently overlooked amidst talk of global 'invisible hands'. Moreover, such talk is not only academically restrictive, it is also politically debilitating.

Indeed, the dominant neo-liberal discourse of globalisation may have captured the imagination of public policy-makers in Britain precisely *because* it is politically debilitating. The mere assumption of globalisation has been used to circumscribe the parameters of what is now considered to be politically possible. Moreover, by appealing to the pressures of a global 'invisible hand', it has done so in a way which forces the impression that public policy constraints are being imposed at a spatial scale which the dynamics of domestic politics can do nothing to influence. In other words, the dominant discourse of globalisation has been appropriated in order to de-politicise the experience of the macroeconomic status quo. According to 'invisible hand' assumptions, resistance is futile.

My intention in attempting to deconstruct the dominant discourse of globalisation is to help shape a political space in which resistance is seen as anything other than futile. If the dominant discourse should be seen as a means of de-politicising the experience of international economic reform, the attempt to deconstruct it should be seen as a means of *re*-politicising that experience. To the extent that it represents a call to arms, it is about re-establishing a context in which we can once again think that the world could be different from how it is presented now (on which point, see also Hay & Marsh 1999: 19).

The essence of all political resistance is that it is first necessary to identify clearly and unambiguously exactly what it is that is being resisted. In the case of globalisation, however, that process of identification is far from straightforward. The implication of the preceding chapters is that strategies of resistance need not necessarily be aimed at globalisation per se; or not, anyway, at a material structure of global markets. The empirical data reviewed in the opening chapter, for instance, would certainly suggest that such a structure is by no means complete, there are no truly global demand and supply dynamics which would imply the existence of truly global markets. Our search must therefore go on for the most relevant site of resistance to contemporary international economic restructuring. If the conclusions of this thesis are in any sense valid, that search should probably concentrate on the widely-held idea that governments now have no choice but to act in a manner consistent with the existence of a material structure of globalisation, and hence in a manner which itself threatens to bring such a structure into existence.

When we talk of resistance to globalisation, then, we may not really be talking at all about resistance to globalisation per se. What we may really be talking about is resistance to the conclusion that globalisation encapsulates a pure economic logic which involves the systematic eradication of political choice. The very word globalisation implies a process of reorganisation which has taken place '*after*' something (Amoore et al 1997: 182). Within the terms of the dominant discourse, that 'something' has tended to be constructed as an economic experience whose precise nature was mediated politically. Social agency in the form of the state, social movements and organised labour are all basic to forms of politics which previously have been mobilised in order to mediate our experience of the capital relation. Yet, it is precisely these political practices which the globalisation hypothesis seeks to deny. Political choice is typically presented within that hypothesis as the ability to opt-in or to opt-out. However, globalising dynamics are assumed to remove the social space that we may once have enjoyed to exercise the opt-out option. Hence, we tend to be presented with a world which we must accept for what it is, and learn to re-negotiate our own priorities accordingly. Even if this means that we are being asked to give up the right to struggle politically over the way in which our world is shaped for us to experience, then so be it.

Resistance to globalisation, then, would seem to be all about reclaiming the legitimacy of political interventions into the economy and, even more fundamentally, the right to *be* political. The very first thing that resistance would have to encompass is reasserting the political right *to* resist. For, that also becomes the right to choose to imagine, affirm and realise alternative modes of human development. It is only through reclaiming the legitimacy of political struggle that it would seem to be possible to hold open for ourselves the opportunity of building a world which is qualitatively different from the one in which we live today.

The political intent which underwrites the attempt to deconstruct the dominant discourse of globalisation lies in the desire to hold open such possibilities. The alternative conceptualisation of globalisation which I have advanced in this thesis consequently speaks to more than merely academic concerns.

Clearly, any discourse of resistance is an artefact of prior discourses of emancipation and empowerment. By opening up an academic space in which it is possible to challenge the dominant discourse of globalisation, I also hope that it has become possible to open up the political space to challenge globalisation's perceived logic of no alternative. Not only would this entail liberating political choice in relation to the world in which we currently live. It would also allow us to hand down to generations yet unborn the ability to make definitive political choices about the world in which they are destined to live.

Postscript

Let me finish with a quote from T.S. Eliot, in which Eliot outlines the significance of history. "Someone said," he wrote, "'The dead writers are remote from us because we know more than they did.' Precisely, and they *are* that which we know" (cited in Blaug 1978: vi). Today's present is, of course, tomorrow's history, which allows us to use Eliot's observation to gain an insight into the importance of our actions today. If future generations are to be given the right to know a world which they are active participants in shaping, then we would seem to have a responsibility in the present to explore new forms of knowledge about globalisation which preserve the ability to resist perceptions of its political logic of no alternative. The stakes of a revised and reinvigorated globalisation debate are therefore extremely high; let that debate begin.

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