Alice never could quite make out, in thinking it over afterwards, how it was that they began: all she remembers is, that they were running hand in hand, and the Queen went so fast that it was all she could do to keep up with her: and still the Queen kept crying 'Faster! Faster!', though she had no breath left to say so.

The most curious part of the thing was, that the trees and the other things round them never changed their places at all: however fast they went, they never seemed to pass anything . . .

'Well, in our country,' said Alice, still panting a little, 'you'd generally get to somewhere else — if you ran for a long time as we've been doing.'

'A slow sort of country!' said the Queen. 'Now, here, you see, it takes all the running you can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!'

— Lewis Carroll, Through the Looking Glass

I. Introduction

Think of the Red Queen's Garden as capitalism. The relentless search for markets and profits brings about faster and faster changes in production and space, industry and commerce, occupation and locale, with profound effects on the organisation of classes and states. It is through this ferocious process of extension and change that capitalism preserves itself, remains capitalism, stays the same system. This paradox, or rather this dialectic, can only properly be grasped if we understand that the "bourgeoisie cannot exist without constantly revolutionising the instruments of production, and thereby relations of production, and with them the whole relations of society." This was not an understanding merely appropriate to what happened to the world in the first half of the 19th century: it is no less appropriate to understanding what has happened over the second half of the 20th, and to what is taking place in the world today.

Now think of Alice, frantically running alongside the Red Queen, as the labour movement, or the social movements, or the broadly defined "Left".
For all the running they have made in this century, for all the mobilisation and reform, even the moments of revolution and national liberation, the world today is most certainly still very much capitalist, indeed it would seem ever more so. Of course, this does not mean that the world is unchanged from what it was, and this is partly due to the effect of those who have contested and thereby either insulated themselves against or modified the vast transformations wrought by the bourgeoisie. But the institutions of the Left, not least the once powerful Communist and Social Democratic parties, increasingly could not even keep pace and lost more and more initiative to the forces of capitalist change. Their original ambition to get somewhere else, to a social order beyond capitalism—that is, to socialism, however conceived—more or less gradually gave way to attempts at adaptation and accommodation to the dynamics of capitalist change. Yet the only result has been that they became more and more ineffective in their attempts to tame the market, and the social forces they had once mobilised and spoken for have become more than ever the victims of ruthless capitalist change.

It has become quite commonplace to recognise that some fundamental rethinking is required by the Left. But all too often such rethinking is still cast in terms of grabbing hold of the bourgeoisie’s hand and trying to run faster and faster to match the pace of changes set by contemporary capitalism. This involves a fundamental strategic misconception. If effective forms of movement ever are to reemerge on the Left, they will have to be less about keeping up with or adapting to capitalist change, but rather more about developing the capacity to mobilise more broadly and effectively against the logic of competitiveness and profit in order eventually to get somewhere else, that is, to an egalitarian, cooperative and democratic social order beyond capitalism. To run, even twice as fast, on capitalism’s terms will not in fact lead somewhere else at all.

These considerations are especially germane in light of the challenge posed by what has come to be known as ‘globalisation’. The apparent subjection of even advanced capitalist social formations in recent decades to the competitive logics and exigencies of production, trade and finance undertaken on a world scale has entailed, as Robert Cox contends, “subordination of domestic economies to the perceived exigencies of a global economy. States willy nilly become more effectively accountable to a nebuleuse personified as the global economy; and they were constrained to mystify this external accountability in the eyes and ears of their own publics through the new vocabulary of globalisation, interdependence, and competitiveness”. Notably, for Cox, as for David Gordon, globalisation reflects less the establishment of a stable new international regime of capital accumulation than an aspect of the decay of the old ‘social structure of accumulation’; as Cox puts it, the tendency to globalisation is “never complete”, and there is “nothing inevitable” about its continuation. “Any
attempt to depict it must not be taken teleologically, as an advanced stage towards the inevitable completion of a latent structure. Rather it should be taken dialectically, as the description of tendencies that, as they become revealed, may arouse oppositions that could strive to confound and reverse them."

Most accounts of globalisation, however, see the process as irreversible, and in this perspective the predominant strategic response becomes one which invariably tends to see the strategies, practices and institutions of the Left as perhaps having been appropriate to an earlier ‘national’ stage of capitalism but as having now been rendered outmoded and outdated by globalisation. Just like Alice before she stepped through the looking glass, it is as though the Left used to be able to get somewhere else by running on the terrain of the nation state, but now that capital had escaped the nation state, the Left will have to learn to run with the bourgeoisie across the terrain of the globe. This approach has recently been well represented by David Held, for instance, for whom globalisation implies a distinctively new "international order involving the emergence of a global economic system which stretches beyond the control of a single state (even of dominant states); the expansion of networks of transnational linkages and communications over which particular states have little influence; the enormous growth in international organization which can limit the scope for action of the most powerful states; the development of a global military order . . . which can reduce the range of policies available to governments and their citizens.” Since this new global order has apparently escaped the control of democratic institutions located at the national level, Held concludes that his means that “democracy has to become a transnational affair.” Strategic priority must be given to “the key groups, agencies, associations and organizations of international civil society”, extending their capacity as agencies for democratic control through an appropriate recasting of the territorial boundaries of systems of accountability, representation and regulation, fortified by entrenched transnational bills of social, economic and civil rights.

While characterisations of globalisation as a qualitative new phase of capitalism such as these depart sharply from those who have understood capitalism as a “world system” from its inception, in terms of the implications of globalisation for the institutional capacity and strategic focus of the Left, the dilemma is precisely the same one as posed long ago by world system theorists. Thus Wallerstein:

“While the multiple political organizational expressions of the world bourgeoisie – controlling as they did *de facto* most state structures – could navigate with relative ease the waters of murky geographical identity, it was precisely the world’s workers’ movements that felt obliged to create national, that is, state-wide, structures, whose clear boundaries would define and limit organisational efforts. If one wants to conquer state power, one has to create organizations geared to this objective. Thus, while the world bourgeoisie has, when all is said and done always organised in relationship to the world economy . . . the proletarian forces – despite their internationalist rhetoric – have been far more nationalist
than they claimed or their ideology permitted... these movements are caught in a dilemma. They can reinforce their state power, with the advantage of holding on to a foothold in the interstate system, but they face the risk of making the detour the journey, in Hobsbawn's phrase. Or they can move to organise transnationally, at the great risk of losing any firm base, and at the risk of internecine struggle, but it may be that power is only truly available at the world level.⁶

Even those less inclined to reduce the tradition of socialist internationalism to mere rhetoric, nevertheless still see the prime cause of the weakness of the Left today in terms of internationalism having "changed sides", as Perry Anderson recently put it: "The new reality is a massive asymmetry between the international mobility and organization of capital, and the dispersal and segmentation of labour that has no historical precedent. The globalisation of capitalism has not drawn the resistances to it together, but scattered and outflanked them... The age continues to see nationalisms exploding like firecrackers across much of the world, not least where communism once stood. But the future belongs to the set of forces that are overtaking the nation-state. So far, they have been captured or driven by capital -- as in the past fifty years, internationalism has changed sides. So long as the Left fails to win back the initiative here, the current system will be secure."

There are a number of problems with this way of approaching the Left's strategic dilemmas in the face of globalisation. The premise that globalisation is a process whereby capital limits, escapes or overtakes the nation state may be misleading in two senses. First, there is often an overestimation of the extent to which nation states were capable of controlling capital in an earlier era; it is as if the Left's mode of practice was adequate in relation to the nation state and thus encourages a similar mode to be adopted at the global level: the problem is just one of running faster on the new terrain. But even for those not given to such illusions, there is a tendency to ignore the extent to which today's globalisation both is authored by states and is primarily about reorganising, rather than by-passing, states; it promotes, in this sense a false dichotomy between national and international struggles and diverts attention from the Left's need to develop its own strategies for transforming the state, even as a means of developing an appropriate international strategy.

II. The Internationalisation of the State

Any attempt to reassess Left strategies in the context of globalisation must begin with the understanding that although the nature of state intervention has changed considerably, the role of the state has not necessarily been diminished. Far from witnessing a by-passing of the state by a global capitalism, what we see are very active states and highly politicised sets of capitalist classes hard at work to secure what Stephen Gill in his essay in *The Socialist Register 1992* (primarily focusing on European Union but...
pointing to much broader tendencies of this kind) aptly termed a ‘new constitutionalism for disciplinary neo-liberalism’. In the past year alone, we have witnessed, not only with the GATT at the world level but also with the North American Free Trade Agreement (to be examined in some detail later in this essay) at the regional level, states as the authors of a regime which defines and guarantees, through international treaties with constitutional effect, the global and domestic rights of capital.

This process may be understood in a manner quite analogous to the emergence of the so-called laissez-faire state during the rise of industrial capitalism, which involved a very active state to see through the separation of polity from economy and guarantee legally and politically the rights of contract and property. We may recall, with Corrigan and Sayer, the long “revolution in government” in England that stretched from 1740 to 1850: “we should understand . . . what later became celebrated and dominant as ‘political economy’ to be simultaneously the discovery of economy (and ‘the economy’ argued for as a self-sufficient ‘private’ realm governed by the laws of the market) and a politicization of a moral code (entailing specific forms of ‘policing’) which makes that possible.” Similarly, as regards the emergence of the modern corporation in the United States through the 19th century, Alan Wolfe showed this could not properly be understood as “a triumph of laissez-faire. Laws could be changed only if the bodies that passed them were controlled; this meant that in order to take the corporation out of the public sphere and place it in the private one, the industrialists had to enter the public sphere themselves. Ironically, a political battle had to be fought in order to place an important – in the nineteenth century perhaps the most important – institution outside of politics, one had to have power in the state in order to make it impotent. Few clearer examples exist of how the struggle over legal parameters cannot be accepted as a given but becomes part of the activity of the state itself. . . .” We are living through something like this in our own time: capitalist globalisation is a process which also takes place in, through, and under the aegis of states; it is encoded by them and in important respects even authored by them; and it involves a shift in power relations within states that often means the centralisation and concentration of state powers as the necessary condition of and accompaniment to global market discipline.

It must be said that most contributions to understanding the role of the state amidst the contemporary process of globalisation have lagged behind the process itself, and on the whole remained quite thin, at least in comparison with two key contributions which were made on the subject two decades ago. In 1971 Robin Murray offered a seminal contribution to what he termed “the territorial dialectics of capitalism” to the end of developing “a framework which would allow a more substantial approach to the problem of the effects of an internationalization of capital on
existing political institutions." The importance of his contribution was that, far from conceiving this as a process which could be understood in terms of capital "escaping" the state, Murray demonstrated to the contrary that as capital expanded territorially one of the key problems it had to confront was how to try to ensure that state economic functions might continue to be performed. At issue was the structural role of the capitalist state in relation to "what may most aptly be called economic res publica", those economic matters which are public, external to individual private capitals. This included guaranteeing property and contract; standardising currency, weights and measures; ensuring the availability of key inputs of labour, land, finance, technology and infrastructure; general macro-economic orchestration; regulation of conditions of work, consumption and external diseconomies such as pollution; and provision of ideological, educational and communications conditions of production and trade. And alongside the performance of these intranational functions there stood the function of international management of external relations pertaining to any or all of these dimensions. Any capital which extended itself beyond the territorial boundaries of a state which had heretofore performed these functions had to either take these functions on themselves or have them performed by some other public authority. Historically this was often accomplished through colonialism and then neo-colonialism. In the contemporary era, and especially as regards the advanced capitalist states, it has primarily been a matter of "states already performing or being willing to perform the functions of their own accord", so that foreign capital came to be serviced on the same basis as domestic capital.

To speak in terms of functions is not necessarily improperly "functionalist" insofar as the range of structures that might undertake their performance, and the conditions which might mean their non-performance, are explicitly problematised. Murray explicitly did this, including by addressing the possibility that "the contradictions of the international system will be such as to prevent their fulfilment at all." Yet Murray saw no reason why, despite the major increase in the internationalisation of trade, investment and finance capital in the 1950s and 1960s, the performance of both intranational and international state functions could not continue to be contained within the system of nation states. Especially as regards "the intranational performance of public economic functions for extended capital", Murray stressed the positive advantages to capital in being able to play off one nation state against another: "Thus, even where there is extensive territorial non-coincidence between domestic states and their extended capitals, this does not imply that the system of atomistic nation states is outdated. The [notion] . . . that 'multinational corporations and nations are therefore fundamentally incompatible with each other' is not necessarily true."12

On the other hand, Murray discerned the contradictions entailed in a process which was exposing exchange rates and national monetary systems
to an international money market, easing the process of international speculation and opening sources of credit outside the control of national authorities: "There is accordingly a tendency for the process of internationalization to increase the potential economic instability in the world at the same time as decreasing the power of national governments to control economic activity within their own borders." Attempts by states to correct balance of payments deficits in the context of this economic instability led to the adoption of policies which "further weaken the national capital and increase the domination of foreign capital within the national economy." Murray concluded from this that, precisely because capital was always a political opportunist which would take support from whatever public authority it could, "... existing states often suffered a decrease in their powers as a result of internationalization ... [yet] weaker states in a period of internationalization come to suit neither the interests of their own besieged capital nor of the foreign investor." As if recognising the unresolved ambiguities in his approach over whether the territorial dialectics of capital extended or diminished the role of the state, Murray ended his article by calling for an "elaboration of the connections between not only states, but the states and their capitals".

Three years later, in a brilliantly original analysis, Nicos Poulantzas took up exactly where Murray left off by explicitly problematising the notion of states and 'their' capitals, and insisting that "common formulations of the problem such as 'what can – or cannot – the state do in the face of the great multinational firms', 'how far has the state lost powers in the face of these international giants?' are fundamentally correct." Poulantzas's immediate concern was with understanding the dominant role that American capital had come to play in Europe, including the process whereby European states "take responsibility for the interests of the dominant capital." This not only involved granting concessions and subventions to American capital of the same type as it granted to indigenous capital, but also acting as a "staging post" by supporting American capital in its further extension outside Europe. This could "go so far as to help American capital circumvent the American state itself (the anti-trust legislation, for example). The international reproduction of capital under the domination of American capital is supported by various national states, each state attempting in its own way to latch onto one or other aspect of this process." This did not mean (in contrast to Murray) that the state policies weakened national capital, but rather that its industrial policies increasingly were concerned with promoting "the concentration and international expansion of their own indigenous capital" by linking it with the international reproduction of American capital.

The concentration of power by transnational capital did not take power away from the state; rather, "the state intervenes precisely in this very concentration":
The current internationalization of capital neither suppresses or by-passes nation states, either in the direction of a peaceful integration of capitals ‘above’ the state level (since every process of internationalization is effected under the dominance of the capital of a given country), or in the direction of their extinction by an American super-state, as if American capital purely and simply directed the other imperialist bourgeoisies. This internationalisation, on the other hand, deeply affects the policies and institutional forms of those states by including them in a system of interconnections which is in no way confined to the play of external and mutual pressures between juxtaposed states and capitals. These states themselves take charge of the interest of the dominant imperialist capital in its development within the ‘national’ social formation, i.e. in its complex relation of internationalization to the domestic bourgeoisie that it dominates. This system of interconnections does not encourage the constitution of effective supra-national or super-state institutional forms of agencies; this would be the case if what was involved was internationalization within a framework of externally juxtaposed states and capitals. These states themselves take charge of the interests of the dominant imperialist capital in its complex relation of internationalization to the domestic bourgeoisie.”

Transnational capital’s interpenetration with domestic bourgeoisies may have rendered the notion of a national bourgeoisie increasingly arcane, but even an internal bourgeoisie “implicated by multiple ties of dependence in the international division of labour and in the international concentration of capital” still maintained its own economic foundation and base of capital accumulation at home and abroad, as well as exhibited specific political and ideological features with autonomous effects on the state. Nor was this struggle one in which only dominant classes and fractions were at play: “. . . while the struggles of the popular masses are more than ever developing in concrete conjunctures determined on a world basis . . . it is still the national form that prevails in these struggles, however international they are in their essence. This is due for one thing to uneven development and the concrete specificity of each social formation; these features are of the very essence of capitalism, contrary to the belief upheld by the various ideologies of ‘globalisation’.”

Poulantzas’s unsurpassed contribution was to remind us that the internationalization of the state was a development which could not “be reduced to a simple contradiction of a mechanistic kind between the base (internationalization of production) and a superstructural cover (national state) which no longer corresponds to it.” Nor could the state be reduced to “a mere tool or instrument of the dominant classes to be manipulated at will, so that every step that capital took towards internationalization would automatically induce a parallel ‘supernationalization’ of states.” If the focus of attention was put, rather, on relations and struggles among social forces, we would see that these did not shift to some hyperspace beyond the state. Rather, global class interpenetrations and contradictions needed to be understood in the context of specificities of the nation state’s continuing central role in organising, sanctioning and legitimising class domination within capitalism.
III. The Antinomies of Robert Cox

It was only with Robert Cox's *Production, Power and World Order* in 1987 that a full-scale study of the internationalization of the state appeared which was founded on a historical materialist understanding of the role of "social forces in the making of history" (the book's sub-title) rather than a false counterposition between globalising capital and the power of states. The impact of Cox's book in challenging the dominant realist approach to the study of international relations has been comparable to the impact of Miliband's *The State in Capitalist Society* challenge to the pluralist approach to the study of comparative politics almost twenty years earlier. Writing over a decade later than Murray and Poulantzas, moreover, Cox was in a better position to analyse the changing modalities of the internationalisation of the state induced by the new era of economic instability and crisis since the mid-1970s.

Cox's approach, like Murray's, is grounded in his understanding of "indispensable functions" the state has to perform in a capitalist society, from guaranteeing property and contracts to dismantling obstructions to markets to ensuring the soundness of money. Thus, "the specializations of functions and centralization of state power" of the 19th century liberal state, which appeared "to contradict the principle of abstinence from intervention", actually involved "no contradiction, since to allow the market mechanism to function without disturbance required the sanction of coercive force, and to ensure this force was not to be used in particular interests but to defend the system as a whole required the creation of a specialized state apparatus." A recent critique of the Coxian approach by Peter Burnham for allegedly failing to recognise that "the state meets the interests of capital-in-general by enforcing the discipline of the market through the rule of law and the rule of money", is in this sense entirely misplaced. Cox is concerned, however, to go beyond this: "... in order to comprehend the real historical world it is necessary to consider distinctive forms of state ... [and] the characteristics of their historic blocs, i.e., the configuration of social forces upon which state power ultimately rests. A particular configuration of social forces defines in practice the limits or parameters of state purposes, and the modus operandi of state action, defines, in other words, the raison d'etat for a particular state." Within these parameters, the state exercised power and choice in the organisation and development of production and classes, although its actions "in these matters are, in turn, conditioned by the manner in which the world order impinges upon the state."

It is in the specific context of the rise and fall of the hegemonic world order of *Pax Americana* that Cox situates the internationalisation of the state. Under the decisive shift in "relative economic-productive powers" in favour of the United States and its "unquestioned leadership" outside the Soviet sphere after 1945, the "putting into place of the new order involved
the transformation of state structures" from those which had existed in the pre-war non-hegemonic system of nationalist/welfare states. That the new order entailed a transformation, not a diminution, of the state — a reorganisation of the state's structure and role in its external and internal aspects — is the decisive point. Within the framework of interstate agreements forged at Bretton Woods — and under the continued surveillance, incentives and sanctions of new international financial institutions (the IMF and World Bank) which "behaved as accessories to U.S. policy" — Pax Americana "was held in place by a configuration of different forms of state whose common feature was the role each played in adjusting national economic policies to the dynamics of the world economy." The process of establishing and internalising a "notion of international obligation" to the world economy constitutes, for Cox, "the meaning given to the term internationalizing of the state":

First, there is a process of interstate consensus formation regarding the needs or requirements of the world economy that takes place within a common ideological framework (i.e., common criteria of interpretation of economic events and common goals anchored in the idea of an open world economy). Second, participation in this consensus formation is hierarchically structured. Third, the internal structures of states are adjusted so that each can best transform the global consensus into national policy and practice, taking account of the specific kinds of obstacles likely to arise in countries occupying the differently hierarchically arranged positions in the world economy.21

It will be noted that whereas Poulantzas proceeded from within ("states themselves take charge of the interests of the dominant imperialist capital in its development within the 'national' social formation"), Cox proceeds from the outside-in, beginning with international consensus formation and attendant agreements and obligations to which internal state structures are then adjusted. To be sure, Cox is careful to say that this "was not necessarily a power structure with lines of force running exclusively top-down, nor was it one in which the bargaining agents were whole nation states." Bureaucratic fragments of states engaged in a process of bargaining, with the hegemonic power structure "tacitly taken into account", and, "through ideological osmosis, internalized in the thinking of participants".22 Whereas in the interwar era, the state's political accountability was solely turned inward so that the state acted as a buffer protecting the domestic economies from external forces, the internationalisation of the state after 1945 involves establishing a compromise between the international and domestic obligations of states. The state now takes the form of a mediator between the externally established policy priorities and the internal social forces to which it also still remains accountable. "The centre of gravity shifted from national economies to the world economy, but states were recognised as having a responsibility to both."23

The state was not less "powerful" in terms of controlling the national economy than before the war. State intervention, as Cox points out, had proved incapable of pulling the economy out of the 1930s Depression;
before the war no less than after the war, the state was primarily reactive, lacking "the ability to conceive and carry through an organization of production and distribution that would replace the market. It could tinker or 'fine tune'; it could not design." Rather than a loss of power, the internationalisation of the state after 1945 reflected a shift in power inside the state, entailing "a restructuring of the hierarchy of state apparatuses." In appearance there was "virtually nothing" to signal this change in structure; rather the goals pursued and the uses to which the structures were put changed. Agencies with direct links to the "client groups of national economy", such as ministries of labour and industry and institutions of tripartite corporatism that had developed in the inter-war era, were not displaced. Indeed they, and the social forces attached to them, remained "relatively privileged" and even "preeminent". But they were subordinated to prime ministerial and presidential offices, foreign offices, treasuries and central banks in such a way that they became "instruments of policy transmitted through the world-economy linked central agencies." A new stage in the internationalisation of the state has arisen, however, in the wake of the crisis in the post-war order that emerged from 1968–75, a crisis which has led to the further expansion of "the breadth and depth of the global economy", even while undermining American hegemony. The internationalising of production and finance that grew through the 1950s and 1960s under the umbrella of Pax Americana, together with domestic inflationary pressures, industrial militancy and declining profits under conditions of full employment, engendered this crisis; the Bretton Woods exchange rates arrangement was abandoned, and the limits of the domestic fine-tuning capacity of tripartism were severely tested. Although Cox thus sees the crisis as having been generated as much by domestic contradictions as international ones, he nevertheless once again portrays the reconstruction of the state in the new era from the outside-in. A "new doctrine" redefining the role of states "was prepared by a collective effort of ideological revision undertaken through various unofficial agencies - the Trilateral Commission, the Bilderberg conferences, the Club of Rome, and other prestigious forums - and then endorsed through more official agencies like the OECD." This doctrine, virtually identical as Cox portrays it to the governing philosophy of what he calls the Thatcher-Reagan hyperliberal state form ("the fullest, most uncompromising instance of a liberal state"), attacked the post-war compromise in both senses of the term: the domestic compromise which tied in labour and welfare interests; and the international compromise of mediating between national interests and the global order. Inside the state, there is a further shift in power away from those agencies most closely tied to domestic social forces and towards those which are in closest touch with the transnational process of consensus formation. As summarised by Cox in his essay in *The Socialist Register 1992*: 
There is, in effect, no explicit political or authority structure for the global economy. There is, nevertheless, something that remains to be deciphered, something that could be described by the French word ‘nebuleuse’ or by the notion of ‘governance without government’.

There is a transnational process of consensus formation among the official caretakers of the global economy. This process generates consensual guidelines, underpinned by the ideology of globalisation, that are transmitted into the policy-making channels of national governments and big corporations. . . . The structural impact on national governments of this centralisation of influence over policy can be called the internationalising of the state. Its common feature is to convert the state into an agency for adjusting national economic practices and policies to the perceived exigencies of the global economy. The state becomes a transmission belt from the global to the national economy, where herefore it had acted as the bulwark defending domestic welfare from external disturbances. Power within the state becomes concentrated in those agencies in closest touch with the global economy – the offices of presidents and prime ministers, treasuries, central banks. The agencies that are more closely tied with domestic clients – ministries of industries, labour ministries, etc, – become subordinated. This phenomenon, which has become so salient since the crisis of the post-war order, needs much more study.

It will be recalled that Cox had identified this same shift in power as the constitutive element in the reconstruction of the state in the Bretton Woods era. Although he does not make this explicit, it appears that now the corporatist and welfarist state apparatuses and the social forces allied with them lose the “preeminent” and “relatively privileged” position they had previously retained. But since they had already been substantively rendered “secondary” even in the post-1945 era, the substantive change he has in mind in the post-1975 era appears to have to do with the role of the already dominant state apparatuses of treasuries, central banks, prime minister’s offices, etc. They seem less and less to be in a bargaining relationship with the forces representing the global economy, and more and more their agents.

The limits of the “outside-in” orientation of Cox’s approach to the internationalisation of the state become revealed here. The notion of the state becoming a “transmission belt from the global to the national economy” is not only too formal in its distinction between global and national economy, but also too “top-down” in its expression of power relations. It would appear that in his 1992 essay Cox conflated some aspects of the internationalisation of the state going on since 1945 with developments that have taken place since the crisis of the mid-1970s. We seem to move directly from the state as a buffer (or now “a bulwark”) to that of it being a transmission belt, skipping over the post-war stage of the state as a mediator between the global and the national, with accountability going both ways. But even if this was an understandable telescoping of his theorisation for the purposes of a brief essay, a framework that traces the internationalisation of the state as a process that takes us from buffer to mediator to transmission belt in relation to global capital is perhaps too brittle.

I would argue instead that the role of states remains one not only of internalising but also of mediating adherence to the untrammeled logic of
international capitalist competition within its own domain, even if only to ensure that it can effectively meet its commitments to act globally by policing the new world order on the local terrain. It is in terms of the difficulty of such mediation that Cox's own insights on "the tendency toward limited democracy" as a means of limiting popular domestic pressures on the state can, in fact, best be appreciated. What needs to be investigated is whether the important shifts in the hierarchy of state apparatuses really are those which bring to the fore those most involved with the international "caretakers of the global economy", or whether a more general process is at work, determined more from within the state itself, whereby even those agencies without such direct international links, but which nevertheless directly facilitate capital accumulation and articulate a competitiveness ideology, are the ones that gain status, while those which fostered social welfare and articulated a class harmony orientation lose status. Whether that loss of status is considerable, or even permanent, however, partly depends on the transformations which these latter agencies are today going through in terms of being made, or making themselves, more attuned to the exigencies of global competitiveness and fiscal restraint. Ministries of labour, health and welfare are perhaps not so much being subordinated as themselves being restructured.

As for the structure of power at the international level, a "nebuleuse" or a "governance without government" is not well captured through the notion of a "global centralisation of influence over policy" and the "transmission belts" which emanate from them. Indeed, in an insightful passage in *Production, Power and World Order* Cox himself traced the "decline of centralized management characteristic of the world economy of Pax Americana" so that the world economy increasingly was better represented as "a system than as an institution." Whereas in the 1960s he identified a set of institutions with the U.S. Treasury at the apex and its policy criteria being internationalised through the IMF, World Bank and other such agencies, "during the 1970s, private transnational banks assumed such an important role that the top management structure could no longer be convincingly represented exclusively in terms of state and interstate institutions." The key development here was that "private international credit expanded for lack of any agreement on how the official intergovernmental structures in the system could be reformed. The impasse on reform was the consequence of stalemate between the United States and the European countries on the future role of the dollar.... In the absence of agreement on management by official institutions, dollar hegemony shifted to the financial market, that is to say, to the very largely unmanaged dollar itself.... Authority weakened at the apex of the international financial system. Crisis did not produce effective centralization. U.S. power was too great to be brought under any externally imposed discipline but was no longer great enough to shape the rules of a consensual
Cox does not see this problem as having been resolved by the early 1990s. Indeed, he stresses in his 1992 essay the “parlously fragile condition” of international finance in a context where not even the G-7 governments have been able to “devise any effectively secure scheme of regulation”.

It becomes particularly clear here that there is an unresolved antinomy in Cox. On the one hand, there is one image of an increasingly centralised supranational management structure, founded on ideological consensus among the elites that populate transnational institutions and forums. He claims that the disintegration of the norms of post-war hegemonic order led to an intensification among the advanced capitalist countries of “the practice of policy harmonization [which] became correspondingly more important to the maintenance of consensus. The habit of policy harmonization had been institutionalized during the preceding two decades and was, if anything, reinforced in the absence of clear norms. Ideology had to substitute for legal obligation.” Is it this that transmits and links policy hyperliberal policy from country to country? On the other hand, there is another image of an unregulated system of international finance – which appears to be unregulated, moreover, in good part because of an inability to forge policy consensus at an interstate level. Is it this system of international finance that internationalises the state, making accountable national policy makers of whatever ideological orientation?

The antinomies in the Coxian framework, as the emphasis shifts back and forth from social force to ideology to institution to system has led one recent critic, looking for a more orthodox and neater pattern of determinations, to throw up his hands in frustration at an approach which

... in its frantic attempt to escape the twin evils of ‘economism’ and idealism offers little more than a version of Weberian pluralism oriented to the study of the international order. Variables which comprise a social order – the economy, the polity, the civil society – are given no overall structure but rather each has a real autonomy which preclude overdetermination. This factor approach is reflected in Cox’s analysis to the effect that in the interaction between material capabilities, ideas and institutions no determinism exists, and relationships are reciprocal. The question of lines of force is an historical one to be answered by a study of the particular case. However laudable in theory, the true consequence of this position is to produce a pluralist empiricism which lacks the power to explain either the systemic connection between values, social relations and institutions or the extent to which the historical appearance of capital as a social relation transforms the social order in such a way that all relations are subsumed under the capital relation as the basis for valorisation.

If the charge of a certain empiricism is perhaps not entirely off the mark, the general level at which Burnham demands primacy to be given to “the capital relation” is hardly any answer. Indeed, Cox would readily grant determination at this level but then ask: so what? We have already seen that Burnham’s critique of the Coxian approach for allegedly failing to recognise that “the state meets the interests of capital-in-general by enforcing the discipline of the market through the rule of law and the rule
of money", is entirely misplaced. Cox explicitly recognises this, as we have seen, as regards both the liberal state of the mid-19th century and the hyperliberal state of the late 20th century; but what he wants to know is what disciplines the state to do this—and what makes it do it again in another form in another historical conjuncture? The role of the state is not best conceived as something given by the capital relation once and for all; but neither it is best conceived in terms of a transmission belt from the global economy to the national economy.

The role of each state is still determined by struggles among social forces always located within each social formation. Even though these social forces are also, to recall Poulantzas, "implicated by multiple tiers of dependence in an international division of labour and in the international concentration of capital" and although the struggles may be seen as "more than ever developing in conjunctures determined on a world basis", the specific national form still prevails in these struggles due to uneven development and the specificity of each social formation. (Is it really to international finance that governments in London or Ottawa are accountable when they prepare their budgets? Or are they accountable to international finance because they are accountable to the City of London or to Bay Street?) Is it precisely in light of domestic as well as international concerns about the continuing salience of popular struggles at the level of the nation state that we need to locate current attempts at constitutionalising neoliberalism. The internationalisation of the state in the 1990s appears to be taking the form, in the continuing absence of the ideological consensus or capacity to bring about a transnational regulation of capital markets, of formal interstate treaties designed to enforce legally upon future governments general adherence to the discipline of the capital market. This arises out of a growing fear on the part of both domestic and transnational capitalists, as the crisis continues, that ideology cannot continue to substitute for legal obligation in the internationalisation of the state.

IV. Forced to be Free: The State and North American Free Trade

The North American Free Trade Agreement which came into effect on January 1, 1994 most certainly fits the bill of constitutionalising neoliberalism. Far more important than the reduction in tariffs, as President Clinton himself repeatedly intoned in the fevered run-up to the congressional vote on NAFTA in November, were the guarantees it provided for American investment in Mexico. As Ian Robinson has put it in one of the best analyses of the deal, international trade agreements like NAFTA not only "prohibit discrimination between national and foreign owned corporations [but also] create new corporate private property rights, possessed by both national and foreign investors. . . . It will function as an economic constitution, setting the basic rules governing the private property rights
that all governments must respect and the types of economic policies that all governments must eschew."

NAFTA’s Investment chapter proscribes attempts by governments to establish performance requirements on foreign TNCs (excepting in the Auto sector) and defines investor rights which are protected under the agreement very broadly to include not only majority shareholders but minority interests, portfolio investment and real property held by any company incorporated in a NAFTA country regardless of the country of origin. The Monopolies and State Enterprises chapter requires public enterprises not only to operate “solely in accordance with commercial considerations” and to refrain from using “anticompetitive practices” such as “the discriminatory provision of a monopoly good or service, cross-subsidization or predatory conduct” (all of which is the bread and butter of TNCs themselves), but also requires public enterprises to minimize or eliminate any nullification or impairment of benefits” that investors, broadly defined as above, might reasonably expect to receive under NAFTA. The Intellectual Property Rights chapter, which grants up to 20 year copyright protection to a vast array of trademarks, patents, semiconductor and industrial designs, trade secrets, satellite signals, etc., goes furthest of all to “extend existing property rights by quasi-constitutionally protecting them against future democratic governments with the threat of trade sanctions . . . even though the effect of these rights is to restrict rather than enhance the free flow of ideas across national boundaries . . .”

Taken together, these various provisions have the effect of redesigning the Mexican and Canadian states relation to capital to fit the mould made in the American metropole by establishing and guaranteeing state defence of “new private property rights that go well beyond those recognised in Canadian and Mexican law, if not that of the United States.” What is particularly important to stress, however, is that this is not something imposed on the Canadian and Mexican states by American capital and state as external to the latter; rather it reflects the role adopted by the Mexican and Canadian states in representing the interests of their bourgeoisies and bureaucracies as these are already penetrated by American capital and administration. As John H. Bryan, Jr., President of Sara Lee Corp. put it, the “most important reason to vote for NAFTA is to lock in [Mexico’s] reforms”. This was all the more pressing insofar as there was a widespread awareness among North American elites (long before the Chiapas revolt on the day NAFTA came into effect) of popular discontent with the hyperliberal policies Mexico had adopted over the past decade, and a concern that any eventual opening up of Mexico’s limited democracy might endanger the reelection of a PRI government. Shortly before the passage of the Agreement, an article in the Toronto Globe and Mail’s Report on Business quoted Alvaro Cepeda Neri of Mexico City’s La
Journada as saying: “The booty of privatisation has made multimillionaires of 13 families, while the rest of the population – about 80 million Mexicans – has been subjected to the same gradual impoverishment as though they had suffered through a war.”

But the Mexican state was not only acting in terms of the interests of its domestic bourgeoisie, nor even just concerned with providing further security guarantees to American capital in Mexico. It was also, in Poulantzas’s terms, “taking responsibility for the interests of the dominant capital” by endorsing NAFTA as an exemplary “staging post” for a renewed American constitutionalising of neo-liberalism on a global scale. The Chairman of Saloman Inc. did not mince his words when he said that the defeat of NAFTA “would be a slap in the face to all leaders in the Western Hemisphere who have chosen the capitalist road over government-controlled economies.” Indeed, if, as the Foreign Affairs Committee Chairman in the House of Representatives, Lee Hamilton, put it, “the question is U.S. leadership in the world”, it is notable that the greatest threat to NAFTA came from the opposition within the United States itself. The side deals on the environment and labour undertaken by Clinton were designed to allow for the necessary compromises within the American social formation: this succeeded to the extent that this divided the environmental movement; if the labour side deal failed to do the same, it was because, not surprisingly, it did not go as far as the environmental side deal and did not allow Canadian or American groups affected by NAFTA to challenge the non-enforcement of Mexican labour laws.

As regards the economic woes of the heartland of the empire, it is clear that the direct impact of NAFTA can only be minuscule. As Lester Thurow pointed out, a worst case scenario would entail the loss of 480,000 American jobs over the next five years; the best case would see the addition of 170,000 jobs:

“The small stream of jobs produced or lost by NAFTA will not be noticed in a sea of 130 million American workers. . . . With a gross domestic product (GDP) only 4 to 5 percent of the United States, Mexico will not be an economic locomotive for America. . . . From 1973 to 1992 the per capita American GDP after correcting for inflation rose 27 percent. Yet over the same period average wages for the bottom 60 percent of male workers fell 20 percent in real terms. . . . Earnings prospects are collapsing for the bottom two-thirds of the work force. . . . After suffering two decades of falling real wages it is not surprising that Ross Perot can appeal to millions of Americans who lash out at the Mexicans in their frustration. . . . America is now a First World economy with a large, growing Third World economy in its midst.”

The Canadian experience under NAFTA’s predecessor, the U.S.–Canada Free Trade Agreement (FTA), which served as the first staging-post for hemispheric free trade and even for the Tokyo round of GATT, certainly demonstrates that the constitutionalising of neo-liberalism exacerbates rather than contains the tendencies of the new global capitalism to generate successive social as well as economic crisis. The most recent study of Canadian employment trends since the inauguration of the FTA not
surprisingly begins with a quotation from a currently popular Leonard Cohen song: "I have seen the future, brother; it is murder":

"Official unemployment rose from 7.5% to 11.3% from December 1988 to August 1993. The ranks of the jobless swelled by 576,000, bringing the total to 1.6 million. Adding those who dropped out of the work force, the unemployment level rose to 2 million, doubling from 7.5% to 14%. If we include involuntary part-time workers which amounts to hidden unemployment, the "real" unemployment rate is currently 20% of the work force. . . . Free trade supporters, though admitting that jobs have been lost in the low wage/low skill sectors of the economy, claim that the FTA is assisting the high-tech sectors, which comprise the emerging new economy of the 21st century, to grow and create high value added permanent jobs. The record of the first four years does not bear this out. . . . It is clear that despite positive signs in a few subsectors [only four - pharmaceuticals, computer services, accounting services and management consultant services - to a total of 28,000 new jobs], the job creation numbers are miniscule. There is no sign of an expanding knowledge economy (either in manufacturing or services) to absorb the 434,000 workers displaced from the old and new manufacturing/resource economy, the 111,000 construction workers and the 104,000 workers displaced from the private sector, old and new, service economy due to restructuring and recession. The public service sectors - education, health and social services, and government administration - absorbed 148,000 workers, but, given, the extreme financial stress that these sectors are currently experiencing and the disinclination to change policy direction, even partial absorption by public sectors is not likely to continue in the future. The future is indeed bleak."

It was a mark of how deep the lines of American imperialism ran in Canada that every issue, from social policy to defence to Quebec's status in Canada, was interpreted during the course of the 1988 federal election through the prism of the pros and cons of the FTA. All sides of the debate took the position that the free trade agreement was a historic departure, an epochal turning point for Canada. Either it would finally free Canadian business from the fetters of tariffs and regulation, expose it fully to the rigour of competition, lay open a vast continental market for exports and investment; or it would mean the end of Canada as we have known it for 121 years, shifting our economic axis southward, imposing the rule of business, destroying the welfare state, undermining Canadian culture, subverting national sovereignty. Both views were misleading. The outcome of the free trade election marked not a new chapter, but rather the punctuation mark on a very long historical sentence of economic and cultural integration with American capitalism.

Canada's particular status as a rich dependency in the American Empire rested on the fact that like the United States, and partly due to its geographic and cultural proximity to the United States, the development of capitalism in Canada was predicated on a class structure which facilitated capitalist industrialisation. A high wage proletariat and a prosperous class of small farmers drew American capital to Canada not only in search of resources, and not at all in search of cheap labour, but to sell to a market distinctly similar to the American. The national tariff designed to integrate an east-west economy and protect Canadian industry from competition from the south (and the flight of Canadian workers to the south) had the paradoxical effect of inducing the first American TNCs to jump the tariff
barrier and sell to Canada's (and sometimes through Canada to the British Empire's) mass market. They were welcomed with open arms by the state as good corporate citizens, and funded by Canada's substantial and powerful financial capitalists. Through the course of the first half of the twentieth century, Canada moved from formal colonial status as a privileged white Dominion in the old British empire to a formally independent, but in reality quite a dependent status in a new kind of imperialism amidst a degree of direct foreign (American) ownership unparalleled anywhere on the globe.

Yet this status was still a privileged one, and Canadians shared in the spoils that went with American hegemony in the post-war order. Any dependent country has a degree of autonomy: this is especially true of a rich one with a substantial industrial proletariat not as easily subjected to the same pressures as American workers to accede to imperial demands of unswerving loyalty in a Cold War and therefore more open to socialist political ideas and mobilisation. Canada's welfare state, however poor a cousin to those in northern Europe, eventually came to surpass what the New Deal had inaugurated in the U.S. This gave Canada a badge of civility compared with American society. Some public corporations and regulatory bodies took on the additional role of protecting what residual autonomy Canadian economy and culture could retain. But in doing this, they did not so much challenge the fact of, as negotiate the scope of, Canada's dependency.

From this perspective, we can see that the free trade treaty of 1988 was designed not to inaugurate but rather to constitutionalise, formalise and extend Canada's dependence on the U.S. in a world now marked by economic instability amidst rampant financial speculation and strong trade rivalries. Far from wanting to prove their entrepreneurial virility by taking the risk of becoming globally competitive, Canadian domestic capital sought to minimise the risk that Americans, when in protectionist mood, might treat them, their exports and investments, as merely "foreign". In turn, the Canadian government promised to give up those weak devices it had heretofore retained as a means of negotiating the scope of dependency. Margaret Atwood (like Cox, following Antonio Gramsci) used a very Canadian metaphor to describe what the Mulroney government had done in entering into the FTA: the beaver was noted in medieval bestiaries for biting off its own testicles when frightened and offering them to its pursuer.

Even so, the free trade agreement failed to remove all restraints on American protectionism. Many opponents of the FTA pointed this out, implying they might be content with the deal if it promised even fuller integration. But what most opponents were really objecting to was the whole dependent path of Canadian development: they wanted to avoid a punctuation mark being put at the end of Canada's long sentence of
dependence. To defeat the deal would be to leave open the possibility of a “nevertheless” or a “however” – which might yet be written at some point in the future. They were encouraged by the emergence of a visible strain of anti-Americanism, even of anti-imperialism. An indigenous cultural community had long been straining to define Canadian identity in the face of dependence. The labour movement, once a strong if subordinate sponsor of continentalism, had also experienced a shift towards Canadianization as the American labour movement proved ever weaker and more abject in the face of economic instability. And considerable domestic ecology, peace, and feminist movements had emerged, often with socialists in leadership positions, and with greater salience in relation to Canadian governments than such movements had in the United States.

The anti-free trade forces were encouraged as well by the fact that the Canadian electorate showed no great enthusiasm for the Reagan-Thatcher hyperliberal state model. Just as the 1980s began, Canadians had opted for a Liberal platform which promised to install a “fair tax” system rather than supply-side economics, and to foster a Canadian capitalist class with distinctive national goals and ambitions through the National Energy Programme and a strengthened Foreign Investment Review Agency. It had indeed been in reaction to all this, as well as to cries for protectionism in the U.S. Congress, that the business community launched free trade and pursued it with such remarkable unanimity. When the NEP was established, Canadian capitalists, no less than American ones, were determined, not only to get rid of it at the first opportunity, but to disable permanently such interventions by the state. They feared that popular pressures were pushing the state to become, not the hand-maiden to business it had usually been, but a countervailing power to it. Not just fear was at play here, but also greed: some elements of Canadian business had become full players on a continental plane while others harboured ambitions that they too might reap substantial profits if Canada embraced its continental destiny. This demonstrated that the point had long passed when business in Canada was interested in ‘reclaiming’ the Canadian economy.

The continuing political predominance of business, despite the mood of the electorate and the volubility of progressive forces, was seen when opposition from a unified capitalist class destroyed the tax reforms advanced in the 1981 Budget, and when the Liberal government responded to the recession of 1981–2 by removing the right to strike from some one million of the three million organized workers in Canada. Yet the ideological impact of hyperliberalism still remained limited. In 1984 even the Conservatives sensed that they could not get elected on a Thatcher-Reagan platform. Mulroney ran a typically Canadian brokerage campaign promising everything to everybody, and declaring the welfare state a sacred trust. This did not make it a sacred trust, of course, given the powerful business
pressures to which the government was beholden. But it emboldened people to defend the welfare state as soon as the Tories tried to undo it.

The decision to go for the free trade agreement, under considerable pressure from the Business Council on National Issues (a powerful lobby which grouped together the most powerful domestic and American corporations), thus took on a double purpose: to make permanent the dominance of business by formalising continental integration in the face of American protectionism and Canadian economic nationalism; and to introduce Reaganomics by the back door of the free market ethos and provisions of the free trade deal. A popular coalition, funded by the labour movement and led by the leadership of the above-mentioned 'new social movements', marshalled against the FTA with remarkable fervour and determination to force the free trade election of 1988. But it must be admitted that this coalition, and much less the opposition parties, never really made clear what their alternative really was. The experience with the 1980-84 Liberal Government showed that a policy for more economic independence and social justice could not rely on the cooperation of business. Yet the anti-free trade coalition were afraid to spell out the conclusion that the alternative had to involve fundamental challenges to capital's power and radically democratising the state. They were afraid to do so because the Canadian people had been so little prepared for such a departure, with the NDP's (Canada's social democratic party) failure in this respect particularly glaring.

Alongside a trenchant critique of the details and implications of the FTA, the anti-free trade coalition took a different tack. And it proved a shrewd one. They chose to mythologize the Canadian state as if it had always been a repository of Canadian independence and social justice. This was myth indeed. But nationalisms are built on myths, and this one became uncontested in the election with remarkable ideological consequences. The small badge of civility which a welfare state lends to Canadian social life in comparison with the American laid the basis for Canadian national identity to be defined in the 1988 election in almost Scandinavian terms, where pride in the welfare state was rather more justified. In this context, the outcome of the free trade election was, despite the narrow victory by the Tories, and the subsequent introduction of the FTA, rather ambiguous. Certainly, the victory of the business forces confirmed the historical trend toward continental integration. An exclamation mark had been added to Canada's historical sentence of dependence.

Paradoxically, the election also confirmed the absence of an ideological mandate to carry through Reaganomics in Canada. The Tories and the business community accepted the anti-free trade forces definition of patriotism as at least involving a defence of the welfare state. The freedom to trade and invest by business was bought at the ideological cost of
pledging allegiance to medicare and other social programmes. In so far as the popular coalition forged during the campaign against free trade set the terms of the debate, and forced their opponents to adopt a defence of the welfare state as a central element in the definition of “Canadianism”, they provided a strong ideological basis for defensive struggles. The seeds of the destruction of the Conservative Party, reduced in the subsequent 1993 election to only two seats in the House of Commons, were sown amidst the ambiguity of their 1988 victory on free trade. The challenge for the Left remained to enlarge the framework of struggle. A defence of the welfare state promises only stalemate so long as the power and mobility of capital remains untouched. In the context of Canada’s reinforced dependency amidst global economic instability and financial speculation, a clear alternative to free trade and unbridled capitalist competition still remains to be articulated.

V. A Progressive Competitive Alternative?

There are those who . . . believe that we can take on the challenge of competitiveness and retain our socialist values; indeed they believe that competitiveness will create the very economic success essential to sustaining social programs. They are mistaken. In the first place they are wrong because, in the particular case of Canada, there is no capitalist class with the interest or capacity to develop a strong industrial base. . . . But they are more than just mistaken. The framework for competitiveness they invite us to accept is ultimately dangerous. . . . Once it is accepted, its hidden aspects . . . such as attacks on social programs – quickly reassert themselves. Once we decide to play on the terrain of competitiveness, we cannot then step back without paying a serious price. Having legitimated the importance of being competitive (when we should have been mobilising to defend our social values), we would be extremely vulnerable to the determined attacks that will inevitably come in the name of “global realities”. . . . The competitive model ultimately asks how the corporate sector can be strengthened. Our perspective asserts that it is the very strength of that sector that limits our freedom and belittles the meaning of “community”.

Gindin and Robertson, Canadian Auto Workers (CAW)

The global recession of the 1990s is testimony to the economic failure of global hyperliberalism. Far from state policies having no effect, global trade competition among states has ushered in “an unstable vicious circle of ‘competitive austerity’” whereby the cumulative effect of each state’s policies is immense in the misery it causes. As Greg Albo summarises this: “each country reduces domestic demand and adopts an export-oriented strategy of dumping its surplus production, for which there are fewer customers in its national economy given the decrease in workers’ living standards and productivity gains all going to the capitalists, in the world market. This has created a global demand crisis and the growth of surplus capacity across the business cycle.” Unfortunately, however, the programme for a more progressive form of competitiveness which has been advanced by most mainstream parties of the centre-left does not constitute much of an alternative. For a considerable period through the 1970s and
well into the mid-1980s, a large portion of the Left refused to acknowledge that the crisis of the Keynesian/welfare state was a structural one, pertaining to the very nature of capitalism and the contradictions it generates in our time. Their response to the crisis, clearly visible in the Canadian free trade debate, was to point to the relatively low unemployment levels in Sweden as evidence of the continuing viability of tripartite corporatism in sustaining the Keynesian/welfare state. This involved, however, ignoring or downplaying the very contradictions and conflicts that were undermining even the Swedish model, and eventually this naive stance was displaced by an attempt to emulate those countries which were most successful in the export-led competitive race. But rather than allow bourgeois economists calling the tune with their neo-liberal logic of deregulation, free markets, privatisation and austerity to dictate the terms of the race, a ‘progressive competitiveness’ strategy is advanced by intellectuals on the Left (from social democratic to left-liberal to a good many erstwhile marxists) whereby labour and the state are urged to take the initiative and seize the hand of business in making the running towards competitive success.

At the core of the strategy, still largely inspired by a different facet of Swedish corporatism, is to support and guide both workers and capitalists towards high-tech/high-value-added/high wage production. The key to this is public policy promoting the widespread training of a highly skilled, highly flexible and highly motivated labour force, and encouraging enterprises to take full advantage of recent technological developments in microelectronics, to the end of producing high quality commodities at high productivity levels through flexible production methods. Equally founded on an acceptance of the irreversibility of globalisation, but convinced that its connection with hyperliberalism is only a matter of the ideological colouration of politicians too closely attached to bourgeois economists, this approach still wants to give strategic priority to the state. Once shorn of an ideology of free markets as the premise of state policy in the process of globalisation, the ‘progressive competitiveness’ strategy expects the state to be able to sustain a substantial social wage if it explicitly connects welfare and education to the public promotion of flexible production and technological innovation in those particular sectors which can “win” in a global export-led competitive race. Relative prosperity (clearly based on an extension of the advantages of relative over absolute surplus-value extraction) would fall to those states which can guide capital and labour to adopt this ‘smart’ competitiveness strategy. With all its emphasis on training, this is indeed a strategy which is precisely about learning how to run twice as fast amidst globalisation.

That such a strategy is both chimerical and dangerous is, in fact, already demonstrated by the experience in North America both by the Clinton Democratic administration and the Ontario NDP government elected in 1990. It presents a programme of vast economic readjustment for both
labour and capital, with blithe regard for how, in the interim, the logic of competitive austerity could be avoided; it presumes that mass unemployment is primarily a problem of skills adjustment to technological change rather than one aspect of a crisis of overproduction; it fosters an illusion of a rate of employment growth in high tech sectors sufficient to offset the rate of unemployment growth in other sectors; it either even more unrealistically assumes a rate of growth of world markets massive enough to accommodate all those adopting this strategy, or it blithely ignores the issues associated with exporting unemployment to those who don’t succeed at this strategy under conditions of limited demand (and with the attendant consequence this would have for sustaining demand); it ignores the reality that capital can also adapt leading technologies in low wage economies, and the competitive pressures on capital in this context to push down wages even in high tech sectors and limit the costs to it of the social wage and adjustment policies so central to the whole strategy’s progressive logic in the first place. It is hardly surprising that Albo in this context comes to the conclusion that even “the progressive competitiveness strategy will be forced to accept, as most social democratic parties have been willing to do, the same ‘competitive austerity’ as neo-liberalism . . . as a cold necessity of present economic conditions.”

Robert Cox, who terms this strategy “state capitalist”, and sees it as the only possible medium-term alternative to the hyperliberal form of state, makes it quite clear that it “is, in effect, grounded in an acceptance of the world market as the ultimate determinant of development”:

The state capitalist form involves a dualism between, on the one hand, a competitively efficient world-market oriented sector and, on the other, a protected welfare sector. The success of the former must provide resources for the latter; the sense of solidarity implicit in the latter would provide the drive and legitimacy for the former. . . . In its most radical form, state capitalism beckons towards an internal socialism sustained by capitalist success in world-market competition. This would be a socialism dependent on capitalist development, i.e. on success in the production of exchange values. But, so its proponents argue, it would be less vulnerable to external destabilization than attempts at socialist self-reliance were in weak countries . . .”

Cox sees this option (“with or without its socialist colouration”) as largely limited to late industrialising countries (such as France, Japan, Germany, Brazil, South Korea) with strong institutional and ideological traditions of “close coordination between the state and private capital in the pursuit of common goals.” He is well aware that this type of state capitalism, while incorporating that portion of the working class attached to the world-market-oriented sector or employed in the welfare services sector, would nevertheless exclude many people (“disproportionately the young, women, immigrant or minority groups, and the unemployed”) who would remain in a passive relationship to the welfare services and without influence in policy making. Amidst anomic explosions of violence from these groups, Cox expects that the state capitalist alternative’s “historic bloc would be thin” and that this might entail the kind of repression and
insulation from democratic pressures which would particularly make illusory the prospects the state capitalist strategy holds out for an "internal socialism". Still, as of 1992, Cox took the position that state capitalist strategies in Japan and Europe constituted "the only possible counterweights to total globalization at the level of states". He held out particular hope that the European Community, where the "unresolved issue over the social charter indicates a stalemate in the conflict over the future nature of the nation state and of the regional authority" might yet bring to the fore "a capitalism more rooted in social policy and more balanced development", one reflecting the continuing influence of social democratic and older conservative traditions. Given the limited medium-term options of those on the Left who are looking for an alternative that would go beyond choosing between rival forms of capitalism, Cox urges them to look positively upon "the ideological space that is opened by this confrontation of hyper-liberalism and state capitalist or corporatist forms of development". 48

Yet what is the evidence of such a confrontation? Cox exhibits here an unfortunate tendency to turn juxtaposed ideal-types, constructed for the purposes of analytic clarity, into real-world confrontations for which there is all too little evidence. The institutional and ideological structures that Cox points to as the basis for a state capitalist 'progressive competitiveness' alternative to hyperliberal globalisation are in fact being subsumed as subsidiary sponsors of globalisation in a manner quite analogous to the way Cox saw tripartite institutions of national economic planning as having become subsidiary elements in adjusting domestic economies to the world economy in the post-war order.

Both in Europe and in North America, ministries of labour (and the tripartite forums and agencies they sponsor) as well as ministries of welfare and education, are being restructured to conform with the principles of global competitiveness, but their capacity to retain their links to the social forces they represent in the state rests on their ability to tailor this reconstruction along the lines of 'progressive competitiveness' principles. In this way, key social groups that would otherwise become dangerously marginalised as a result of the state's sponsorship of global competitiveness may become attached to it by the appeal a progressive competitiveness strategy makes, especially through the ideology and practice of training, to incorporating working people who are unemployed and on welfare (or who soon might be) as well as the leaders of the unions, social agencies and other organisations who speak for them. Insofar as they are successful in this, moreover, ministries of welfare, education, labour, regional development, etc., may prevent their further loss of status in the hierarchy of state apparatuses and even recapture some of their previously foregone status. Insofar as it undertakes no greater challenge to the structure of the state or to the logic of global competitiveness than that of insisting that more,
rather than less, state economic orchestration can be a more effective, and at the same time a more humane, handmaiden to competition, the ‘progressive competitiveness’ strategy ends up being not an alternative to, but a subsidiary element in, the process of neo-liberal capitalist restructuring and globalisation.

The ‘stalemate’ over the European Social Charter sustains this interpretation. In North America, the most-oft cited guarantee that the progressive competitiveness strategy will not coalesce with the logic of competitive austerity is the European Community’s Social Charter. It is pointed to as a model for other international agreements which would constitutionalise a high level of labour rights, social standards and corporate codes of conduct. On this basis, Robinson argues: “If globalization can mean more than one thing . . . then the irreversibility of globalization no longer necessarily leads to neo-conservative economic and social policy prescriptions. In this light, national competitiveness, too, can mean more than one thing, depending upon whether it is achieved by cutting labour and environmental costs to TNCs, or promoting technological innovation and reducing the social, political, and environmental externalities associated with largely unregulated global market competition.”

This approach almost always involves vastly inflating the salience and significance of the European Social Charter, or, where its weakness is acknowledged (as Robinson does), fails to inquire whether the reason “the most powerful labour movements in the world have made only very limited progress towards an adequate EC social dimension” is because of its incompatibility with even the ‘progressive competitiveness’ strategy of global competitiveness. The trenchant critique made by Robinson of NAFTA’s side deals as a cosmetic means of buying off domestic opposition is not apparently seen by him, and so many others, as entailing a deeper lesson regarding such incompatibility.

Alain Lipietz has recently provided a chilling account of how moderate EEC social democrats “set up a Europe of traders and capital”, hoping that a social dimension would follow, but failing to understand that they had already “thrown away their trump cards by signing the Single Act of 1985”:

A single market for capital and goods without common fiscal, social and ecological policies could not fail to set off a downward competition between member states, each needing to bring its trade into balance. To deal with the threat of ‘social dumping’, Jacques Delors counted on a push after the event by unions in peripheral and social democratic countries to impose common statutory or contractual bases throughout the community. This has not happened, despite the (half-hearted) protestations of the European parliament . . . attempts to harmonise VAT failed . . . [and] lack of harmonization on capital taxation is much more serious . . . Even more serious was the surrender over social Europe. In September 1989, The European Commission proposed an insipid Social Charter. . . . In December 1991, at Maastricht . . . legislative power in Europe was handed over to coordination by national governments; a state apparatus on auto-pilot. Social Europe was once more sacrificed, and reduced to a ‘zero-Charter’, with Britain opting out. . . . In essence, as it is presently emerging, Europe will be unified only for the sake of capital, to
allow it to escape from state control; that is, from the tax authorities and from social legislation."\textsuperscript{51}

It is, of course, not really an escape from state control. Lipietz’s account would make no sense if it were. The governments of Europe are not trying to assert a control over capital at the nation state level while at the same time trying to forewear control at the regional level. The states, including the social democratic-led ones, as Lipietz avers, are the political authors of the Europe of traders and capitalists. Of course, they reflect capital’s domination in each social formation in doing so, but it must also be said that the notion that this capital is ready to sustain, as the basis of regional trade rivalries, a rival state capitalist form “rooted in social policy and territorially balanced development” is belied by all the facts before us. Indeed, Cox may have been closer to the mark when he suggested in 1987 that the decline of American hegemony and the competitive pressures in the world system were acting on all states in such a way as to encourage an “emulative uniformity”.\textsuperscript{52} But his expectation at that time that this might involve common “adoption of similar forms of state-capitalist development geared to an offensive strategy in world markets and sustained by corporatist organization of society and economy” only rings true if we see state capitalism, as we have suggested, not as an alternative to hyper-liberalism but rather a subsidiary element sustaining competitive austerity, even in Europe. As Albo notes: “it is not the Anglo-American countries who are converting to the Swedish or German models but Germany and Sweden who are integrating the ‘Anglo-American model’.”\textsuperscript{53}

Even if American hegemony in international institutions has declined somewhat the continued direct imbrication of American capital in Europe as a powerful social force with which the European bourgeoisies remain interpenetrated still induces an “emulative uniformity”. Poulantzas may have been wrong in his estimation in 1974 that each of the European bourgeoisies were too enmeshed in a structure of dependence on American capitalists to allow for a major extension of intra-regional cooperation in Europe. But he was not wrong in insisting that American capital must not be seen as standing outside Europe rather than a strong presence within it. Indeed, part of the reason for the failure of a ‘Social Europe’ has also to do with the mobilisation of American firms in Europe against it from the early 1980s on.\textsuperscript{54} The multidimensional spread of direct foreign investment, with mutual interpenetration among European, Japanese and American capitals reinforces this tendency for emulative uniformity.\textsuperscript{55}

VI. Conclusions: ‘It ain’t over ‘til its over’\textsuperscript{56}

It would indeed appear that there is no way of honestly posing an alternative to neo-liberal globalisation that avoids the central issue of the political source of capitalist power, globally and locally: the state’s guaran-
tee of control of the major means of production, distribution, communication and exchange by private, inherently undemocratic banks and corporations. It is inconceivable that there can be any exit from today's crisis without a planned reorientation and redistribution of resources and production on a massive scale. Yet how can this even be conceived as feasible, let alone made a basis for political mobilization?

This essay has suggested that those who want to install a “transnational democracy” in the wake of the nation state allegedly having been bypassed by globalisation simply misunderstand what the internationalisation of the state really is all about. Not only is the world still very much composed of states, but insofar as there is any effective democracy at all in relation to the power of capitalists and bureaucrats, it is still embedded in political structures which are national or subnational in scope. Those who advance the nebulous case for an “international civil society” to match the 'nebuleuse' that is global capitalist governance usually fail to appreciate that capitalism has not escaped the state but rather that the state has, as always, been a fundamental constitutive element in the very process of extension of capitalism in our time.

Sol Picciotto, who himself wants to give strategic priority to ‘international popular organisation’ as the best way forward, is nevertheless careful to warn against “naive illusions that social power exists quite independently of the state”, and calls for “more sophisticated analyses of the contradictions of the state and the ways they can be exploited to build the strength of popular movements, while remaining aware that the national state is only a part of the overall structure of power in a global capitalist society.” The international constitutionalisation of neoliberalism has taken place through the agency of states, and there is no prospect whatsoever of getting to a somewhere else, inspired by a vision of an egalitarian, democratic and cooperative world order beyond global competitiveness, that does not entail a fundamental struggle with domestic as well as global capitalists over the transformation of the state. Indeed, the contemporary era of the globalisation of capital may have finally rendered the distinction between national and foreign capital more or less irrelevant as a strategic marker for the Left. The two centuries-old search for a cross-class “producer” alliance between labour and national capital as an alternative to class struggle has taken shape in recent years in the form of the progressive competitiveness strategy, but its weaknesses have been very quickly revealed in the context of the globalisation of capital.

It is necessary to try to reorient strategic discussions on the Left towards the transformation of the state rather than towards transcending the state or trying to fashion a progressive competitive state. At the most general level this means envisaging a state whose functions are not tied to guaranteeing the economic res publica for capitalism. We have seen how the internationalisation of the state entails a turning of the material and
ideological capacities of states to more immediate and direct use, in terms of both intranational and international dimensions, to global capital. The first requirement of strategic clarification on the Left must be the recognition that it must seek the transformation of the material and ideological capacities of states so that they can serve to realize popular, egalitarian and democratic goals and purposes. This does not mean attempting to take the state as it is presently organised and structured and trying to impose controls over capital with these inappropriate instruments. Nor does it mean trying to coordinate such controls internationally while resting on the same state structures. The point must be to restructure the hierarchy of state apparatuses and reorganise their modus operandi so as to develop radically different material and ideological capacities.

"One of the principal tasks of the capitalist state", David Harvey notes, "is to locate power in the spaces which the bourgeoisie controls, and disempower those spaces which the oppositional movements have the greatest potential to command." The Left must take this lesson out of the book of capital to the end of relocating power to the benefit of progressive social forces. The same might be said about the important role the state can play in the distribution of time as an aspect of power. Radical proposals coming forward on the Left today for a statutory reduction in the working day to as little as four hours are not only directed at coping with the appalling maldistribution of employment in contemporary capitalism, but as Mandel and Gorz both stress, are designed to establish the conditions for the extension and deepening of democracy by providing the time for extensive involvement in community and workplace decision making.

To emphasise the continuing importance of struggles to transform the state does not mean that territorial boundaries within which claims to state sovereignty are embedded ought to be seen as immutable. One of the important insights of Poulantzas was to point to the regional disarticulations that resulted from the extended reproduction of international capital within the framework of existing nation states. The integration of national with international capital upsets the old bases for national capital’s unity; and at the same time regional discontents with state policies which are increasingly articulated with the needs of the global economy have provided fertile ground for a resurgence of old nationalisms with a separatist purpose. Right-wing nationalisms, and the parochialisms and intolerances they both reflect and engender, must be combatted on every front. But it is not always necessary for the Left to oppose the break-up of an existing state, just as it is not wise to dismiss out of hand attempts at international rearticulation of sovereignties through the creation of regional federations. The question is only whether the locus of power is thereby shifted to those spaces wherein democratic and inclusive movements which are oppositional to capital can expand their spaces and powers through a reorganisation of sovereignties.
For instance, while left-internationalists usually shake their heads in dismay at the apparent stupidity of Quebec leaving the Canadian federation at the very moment when France should be joining a federal Europe, it is by no means necessarily the case the existing Canadian federal state lays a firmer foundation for democratic challenges to capital than would close and amicable cooperation between an independent Quebec and a restructured Canadian state. Indeed more might be expected from two nation states each of whose raison d’etat was expressly more egalitarian and democratic in purpose rather than binational and territorial (Ad Mare Usque Ad Mare, it has often been pointed out on the Canadian Left, does not quite match Liberty, Equality and Fraternity as an expression of raison d’etat). Nor should it be necessarily thought that a federal Europe must be one that necessarily extends democratic powers rather than disperses them more thinly in relation to a greater centralisation of state powers oriented to fulfilling capital’s res publica on a continental terrain. Moreover, a federal state composed of the existing states of Europe is one that continues to rest on the modus operandi of these states. As every Canadian knows, capitalist forces are as capable of playing off the units of a federation against one another and against the centre, as they are of doing so with sovereign nation states; indeed the process may be more easily obscured behind an interminable debate over the division of constitutional powers.

Alain Lipietz, while taking as “a starting point that the struggles and social compromises are still settled at the level of the old-established nations of Europe”, would like to see social and political unification as quickly as possible insofar as this would be democratically structured so as to overcome the terrible condition of competitive austerity. But he admits that while it “is better to have a Europe which is progressive (in the alternative sense of the word) than a France, a Sweden, etc, which are progressive in isolation . . . the present dilemma does not lie here. We are asked to choose between a Europe of possibly alternative states, and a united Europe which is liberal-productivist. My response is that if this is the choice, the first solution is better. . . .” He admits that in the short term it is unrealistic to expect a united Europe to be based on anything other than ‘liberal-productivism’. But it is no less unrealistic to expect that this will change in the future without a prior change in the configuration of social forces and restructuring of state apparatuses in the member countries.  

A ‘possibly alternative state’ to those sponsoring globalisation amidst competitive austerity today would have to be based on a shift towards a more inwardly oriented economy rather than one driven by external trade considerations. This in turn would have to mean greater emphasis being placed on a radical redistribution of productive resources, income and working time than on conventional economic growth. This could only be democratically grounded, as Albo puts it, insofar as “production and
services [were] more centred on local and national needs where the most legitimate democratic collectivities reside.” Democratically elected economic planning bodies at the ‘micro-regional’ level, invested with the statutory responsibility for engineering a return to full employment in their communities and funded through direct access to a portion of the surplus that presently is the prerogative of the private financial system to allocate, should be the first priority in a programme for an alternative state.

This alternative could not be realised without at least some trade controls and certainly not without quite extensive controls over the flow of capital. (Indeed, it is improbable that such capital control can be realised without bringing the financial system within the public domain and radically reorganising it in terms of both its structure and function. This used to be known, when the Left was still innocent about its terminology, as the ‘nationalization’ of the banks). Of course, this would necessarily require interstate cooperation to install managed trade (rather than autarky) and to make capital controls effective. Have we then gone through this exercise only to come full circle – right back to the internationalisation of the state? Certainly not. International agreements and treaties between states will most certainly be required, but they will have the opposite purpose to the constitutionalising of neo-liberalism: they will be explicitly designed to permit states to effect democratic control over capital within their domain and to facilitate the realization of alternative economic strategies.

The feasibility of this alternative scenario rests entirely on conditions that still remain to be established. It is all too easy to predict the immense pressure and exertion of naked power that would emanate from international capital and dominant states to a country that was even near the point of embarking on such a strategic alternative; all too easy (and, of course, intentionally or unintentionally demobilising) because what it ignores are the prior material and political conditions that would bring the possibility of change onto the historical agenda. Some of these are material in the economic-technical sense of the term. Thus, even the technical feasibility of short-term capital controls is an open question today. Yet the instability of the world financial system is such that we are likely to see the ‘discovery’ of means of control and regulation, whether before or after an international financial collapse. But it is, above all, the political conditions that need to be created. The impact of domestic and external resistance is unpredictable in abstraction from the character, strength and effectiveness of the social forces that will mobilise within states and put the alternative on the agenda. Cox is extremely insightful on this when he insists at the end of Production, Power and World Order that once “a historical movement gets underway, it is shaped by the material possibilities of the society in which it arises and by resistance to its course as much as by the . . . goals of its supporters”. Yet this is why, he insists, that “critical awareness of the potentiality for change . . . concentrates on the possibilities of launching a
social movement rather than on what that movement might achieve. . . .

In the minds of those who opt for change, the solution will most likely be seen as lying not in the enactment of a specific policy program as in the building of new means of collective action informed by a new understanding of society and polity.”

This will happen within states or it will not happen at all, but it will not happen in one state alone while the rest of the world goes on running with the bourgeoisie around the globe. Alternatives arise within international political time: the movement-building struggles arise in conjunctures which are, as Poulantzas understood, more than ever determined on a world basis. Movements in one country have always been informed and inspired by movements abroad; all the more so will this prove to be the case as opposition builds to the evils globalisation is visiting on peoples rights around the globe, increasingly also including the developed capitalist countries. There is no need to conjure up out of this an ‘international civil society’ to install a ‘transnational democracy’. Rather we are likely to witness a series of movements arising that will be exemplary for one another, even though national specificities will continue to prevail. It is to be hoped, of course, that these movements will as far as possible be solidaristic with one another, even though international solidarity movements cannot be taken for alternatives, rather than as critical supplements, to the struggles that must take place on the terrain of each state.

There is a stifling tendency on the Left today to draw facile lessons from previous failures of attempts to escape from the logic of globalisation. The limits faced by the Alternative Economic Strategy in Britain in the mid-1970s and the French Socialist programme at the beginning of the 1980s are particular favourites employed to ‘prove’ that capital has the unchallengeable power to escape the state. But was there even the political will in these cases, let alone the movement or the material conditions, to try to escape the control of capital? François Mitterand had learned to “speak socialist”, in the immortally cynical words of Gaston Defferre, but what failed in 1981–82 was primarily an attempt at a Keynesian reflation at a very inopportune moment rather than the far more radical assault on capitalism that had been envisaged in the ‘Programme Commune’. And while U.S. Secretary of State William Rodgers harboured “cosmic” fears in 1976 that Tony Benn might precipitate a policy decision by Britain to turn its back on the IMF which might in turn lead to the whole liberal financial system falling apart, Rodgers quickly found he could count on the support of the rest of the Labour Cabinet let alone the Treasury and the Bank of England and the MI5.

It is time the Left stopped reading its own faulty memory of such past moments into all potential futures. It would seem that the last word, like the first, belongs to Lewis Carrol’s Through the Looking Glass:
'That's the effect of living backwards', the Queen said kindly; 'it always makes one a little giddy at first —'

'Living backwards!' Alice repeated in great astonishment. 'I never heard of such a thing!'

'--- but there's one great advantage in it, that one's memory works both ways.'

'I'm sure mine only works one way,' Alice remarked. 'I can't remember things before they happen.'

'It's a poor sort of memory that only works backwards,' the Queen remarked.

NOTES

15. Ibid., p. 73.
16. Ibid.
17. Ibid., p. 78.
20. PPWO, pp. 105-6.
22. PPWO, pp. 256-9.
23. PPWO, pp. 254-5.
24. PPWO, pp. 189.
25. PPWO, pp. 214, 220-1, 228, 266, 281.
27. PPWO, p. 289.
29. See PPWO, p. 266 and p. 283.
30. See PPWO, p. 259, for an earlier use of this term.
31. PPWO, pp. 300-3.
32. PPWO, p. 259.
33. To be sure, Cox sees even this system to some extent in ideological and institutional terms: “The capital markets in question cannot realistically be thought of as nonpolitical. They are not cast in the classical model of an infinity of buyers and sellers of money; rather they are composed of a limited number of oligopolists whose consensus can be ascertained by a few telephone calls and whose individual judgements are based on a balancing of financial risk-taking and prudence, of political pressures and personal prejudices.” PPWO, p. 301.


36. Ibid., p. 2.

37. Ibid., p. 20.

38. Business Week, November 22, 1993, p. 34.


40. Business Week, November 22, 1993, p. 35.


42. Bruce Campbell (with Andrew Jackson), “Free Trade": Destroyer of Jobs. An Examination of Canadian Job Loss under the FTA and NAFTA, Canadian Centre for Policy Alternatives, Ottawa, 1993, pp. 1–6.


46. See the critique of this position in my Working Class Politics in Crisis, London 1986, esp. chs. 4–6; and in my “The Tripartite Experience” in K. Banting, ed., The State and Economic Interests, Toronto 1986.

47. Albo, op. cit.


50. Robinson, op. cit., p. 44.


52. PPWO, pp. 298–9.

53. Albo, op. cit.


56. With apologies to Yogi Berra.


60. Lipietz, op. cit., p. 135.
