Consensus by Diktat: Washington, London, and the "Modernization" of Modernization*

By Michael Keaney

1. Introduction

In the affluent, industrialized West, we are accustomed to viewing the economic circumstances of other peoples through a lens of different refraction than those we would typically employ in introspection. Successful industrialized economies experience "growth;" indeed, all strive to achieve its continuity. Those economies not classified as industrialized along the Western model are divided into two categories: those in "transition" from Soviet-style communism, and those which are "less developed." This latter group can be sub-divided into "newly-industrialized" and "developing." Thus the "three worlds" paradigm of the 1960s remains an important determining influence upon how the constituent parts of the global economy are treated by both theorists and policymakers. As before, the industrialized economies aim to grow; the rest strive to emulate — only, whereas before there were several development pathways to consider, now there is only one model of "development" officially on offer.

In his preface to the first edition of *Capital*, Karl Marx wrote: "The country that is more developed industrially only shows, to the less developed, the image of its own future."[1] Development was, for Marx, an unstoppable and irreversible force of metaphysical proportions, which, in whatever historical or cultural context, would impose itself upon the recalcitrant feudal conservatives and newly forming urban working classes alike. Riding the wave of this transformative power was a new class of capitalists, whose wresting of control of the organs of state from the feudal landowners enabled both the consolidation and development of particular notions of property and ownership in law. To retain whatever vestiges of power remained the feudal classes were

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[1]Karl Marx, *Capital,* Volume 1 (Harmondsworth: Penguin, 1976), p. 91.

forced to ally themselves with the bourgeoisie, or face likely political and economic ruin.

This did not stop the publication of conservative dissent, bemoaning the sacrifice of tradition on the altar of commercialism. Worse still, to some, was the concentration and potential empowerment of the vulgar masses, whose animal spirits, if given vent in any democratic procedure, would surely expose the political process, and thereby public order, to mortal danger. It was bad enough that the old order of things had been so effectively undermined; it was awful to think that those of lesser rank, no longer knowing their place, would exercise power way beyond their necessarily limited understanding.[2]

"Capitalism in one country" has never existed, nor could it. But with the collapse of the Soviet bloc and the apparent ideological vacuum that this created, the last decade has witnessed an intensification of the globalization of capitalist development. Far from ushering in a new age of freedom and democracy, the "new world order" proclaimed by the first President Bush has significantly narrowed the options available to citizens of all countries. All have been handed an ultimatum reminiscent of the French Foreign Legion's famous injunction to "march or die!" The irreversibility of capitalist development has assumed such monolithic proportions that no one, regardless of circumstance, can escape its consequences, far less refuse its dictates. In the industrialized West, this has involved the collapse of social democracy as a political project. Its "Third Way" successor preaches a gospel of "modernization," effectively consolidating Thatcherism's structural reforms and employing these as a platform for further adjustment, in accordance with the priorities of global finance capital. Economies in "transition" from communism to capitalism, too, must modernize by acquiring what U.S. economists like Jeffrey Sachs and Douglass C. North call the "core institutions" of capitalism, whatever these may be. Meanwhile, the Washington Consensus of the International Monetary Fund (IMF) and the World Bank, as applied to the unfortunate "emerging market" economies and other, poorer countries, provides the essential clue to the identity of these "core institutions:" namely, a replication, if not an intensification, of what Nicos Poulantzas described as the "relations of production characteristic of American monopoly capitalism."[3]

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[2]A useful, succinct encapsulation is provided by Samuel P. Huntington. See "Robust Nationalism," *The National Interest,* 58, 1999/2000, p. 32.
[3]Nicos Poulantzas, *Classes in Contemporary Capitalism* (London: New Left Books, 1975), p. 47.

Not surprisingly, such dislocation on such a scale has provoked serious opposition, as evidenced by the "Battle of Seattle" in November 1999. The anti-capitalist protest movement comprises a spectrum of political opinion spanning Left and Right. National bourgeoisies unhappy to lose their prior jurisdictions are forced to choose whether to back the protestors or sign up for "globalization," a choice analogous to that of their feudal forebears.

With George W. Bush's assumption of power in January, 2001, however, the relentless global structural adjustment program directed by the Clinton administration has given way to a regionally focused consolidation, coupled with a reordering of U.S. domestic priorities. The old Jefferson-Hamilton dialectic driving U.S. political economic development has, in the last century, evolved into a new symbiosis of two complexes: the military-industrial, and the Wall Street-Treasury. The second Bush administration marks the return of the former to the ascendant.

This article charts the metamorphosis of modernization from national policy to global process, via the recasting of social democracy. In so doing it examines the contradictions inherent in this process, and why it has been suspended. Modernization, for the time being, has become regionalized, as the momentum of global political and economic integration driven by finance capital has stalled.

2. Neo-Colonialism and Development

In the post-colonial era of the 1950s and 1960s, when both Britain and France were engaged in relinquishing control (if only in name) of erstwhile colonies, there blossomed much interest in the unique problems facing the newly "independent" states, especially those concerning their economic viability. Unfortunately for these supposedly independent states, the global context of the Cold War mitigated against their freedom of political movement, as each superpower eagerly sought to ensure the installation of a client regime whose main purpose was to oppose the other side. Matters of domestic economy and polity were very much secondary to the geopolitical priorities as viewed from Washington and Moscow. The views from London and Paris became more closely aligned to that of Washington as each former colonial power grew increasingly aware of its decreasing international stature, especially in the aftermath of the Suez debacle of 1956. As a result they gradually yielded power to the U.S.[4]

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[4]Paul A. Baran, *The Political Economy of Growth* (New York: Monthly Review Press, 1957), pp. 14-15.

Nevertheless, for those former colonies that were not on the "front line," therefore enjoying a degree of stability denied to those that were, industrialization was a distinct possibility.[5] A common "Third World" agenda developed on the basis of the work of Raul Prebisch, whose theories formed the basis of the establishment of the United Nations Conference on Trade and Development (UNCTAD) in 1964.[6] UNCTAD's strategy of commodity price stabilization, preferential treatment for Third World exports of manufactures, and foreign assistance as compensation for colonial exploitation was the first concerted effort made to redress the global imbalance *vis à vis* the distribution of income and wealth.

At a time when both superpowers employed both carrot and stick to keep clients "on side," this strategy proved effective, both in winning global support as expressed in the United Nations itself, and in inspiring the establishment of other organizations of similar purpose. Other bodies, such as the Organization of Petroleum Exporting Countries (OPEC), founded in 1960, received a welcome boost. OPEC's *raison d'être* derived from its members' frustration at the import quotas imposed by the U.S. government in order to protect domestic producers.[7]

Meanwhile, the domestic problems caused by development were beginning to attract the attention of Western analysts. Perhaps the first major influential study, and certainly among the most famous, was Paul Baran's *Political Economy of Growth* (1957). Written from an unashamedly Marxist perspective, it illustrated in graphic terms the continuing exploitation and subjugation of poorer countries by monopoly capital — in other words, oligopolistic, multinational corporations and their government clients. In so doing Baran offered a

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[5]Even for states that were, such as Syngman Rhee's South Korea, the local ruling class resisted U.S. efforts to direct development. The relative autonomy enjoyed by South Korea is consistent with Chalmers Johnson's concept of the developmental state. Thanks to Mark Jones for raising this point.

[6]Walden Bello, "The Iron Cage: The World Trade Organization, the Bretton Woods Institutions, and the South," *CNS*, 11, 1, March, 2000.

[7]The consequent "punishing adjustment forced on the producing countries had resulted in the realization that the international companies did not share their interests. They saw the major international oil companies as foreign entities whose decisions on matters critical to them, such as prices and production levels, were alien to their vital interests." Edward L. Morse, "A new Political Economy of Oil?" *Journal of International Affairs*, 53, 1, 1999, pp. 10-11.

clear explanation for the polarization of rich and poor identified contemporaneously by Gunnar Myrdal.[8] Related to Baran's critique of capitalism, however, was a crucial observation that has informed the major works of political economy since the landmark treatises of Sir James Steuart and Adam Smith: economic progress requires the existence of a suitably congenial constellation of institutions.[9] Whereas for Steuart, writing in war-torn continental Europe, a state apparatus that was both stable and powerful enough to facilitate progress was necessary, for Smith and his "classical economics" successors it was something quite different: "economic progress was predicated upon the removal of outdated political, social and economic institutions, upon the creation of conditions of free competition under which individual enterprise and initiative would be given ample opportunity for unhampered performance."[10]

In European societies, the "outdated political, social and economic institutions" that were removed were those of feudalism. This brought with it the threat of social disorder, and, sometimes, civil war, so profound was the effect of developmental change. In the process of colonization, this was compounded further by the imposition of a wholly alien culture upon a pre-existing, independent one. The dislocatory effects were therefore magnified.[11]

In his famous rendering of the base-superstructure model, it was Marx who posited the primacy of the economic — the conditions of production — over the social, political and cultural. According to political theorist Sheldon S. Wolin, this was merely symptomatic of a

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[8]Gunnar Myrdal, *Rich Lands and Poor* (New York: Harper and Row, 1957).

[9]According to Keith Tribe, the discourse of political economy, as opposed to "economics," was "concerned with the administration of an aggregated polity by a 'sovereign' or 'statesman,' whose presence is essential to the discourse in providing a unity which is otherwise dispersed among the instances of the economy or the categories that articulate these instances. This polity can be divided up in a number of ways: for example, by sector (trade, manufacture, agriculture), or by consumption (productive versus unproductive populations)." See *Land, Labour and Economic Discourse* (London: Routledge, 1978), p. 85. Both Steuart and Smith were concerned with providing their duly considered wisdom to rulers or legislatures in whose interest it was that there be strategic guidance of the economy and sufficient provision of resources to its inhabitants such that everyone prospers. Smith's apparent ambiguity concerning the role of the state lies in his reformist posture and, more significantly, his successors' interpretations of his work in markedly different historical circumstances.

[10]Baran, *op. cit.*, p. 2.

[11]*Ibid.*, p. 143.

generic ascendancy of the economic at the expense of the political as a "saving form of knowledge" in Western thought — a central feature of modernity.[12] Thus many development theorists adhered to the view, common to both Marxian and liberal treatments, that economic change determined all else. An opposing view was posited by conservatives such as Samuel P. Huntington, who argued that the political retains primacy over the economic, and, by implication, all the rest.[13] Of course the attribution of unidirectional causation in such a way, for all its theoretical simplicity, is too simplistic. And in defense of Marx, it should be recognized that a dialectical treatment of development can incorporate apparently contradictory processes and reciprocal relationships that, although not readily apparent, are essential to an understanding of the process of capitalist development commonly called modernization.[14]

"Modernization" was a term much in vogue in the 1960s. Citing the work of Daniel Lerner, Huntington defines it as "a multifaceted process involving changes in all areas of human thought and activity." Its "principal aspects" are "urbanization, industrialization, secularization, democratization, education, media participation." The possibility and desirability of change are the hallmarks of modern societies. Employing Karl Deutsch's terminology, Huntington views modernization as comprising two essential parts: social mobilization and economic development. "Social mobilization involves changes in the

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[12]Sheldon S. Wolin, *Politics and Vision: Continuity and Innovation in Western Political Thought* (Boston: Little, Brown, 1960).

[13]Samuel P. Huntington, *Political Order in Changing Societies* (New Haven and London: Yale University Press, 1968); "The United States," in Michel Crozier, Samuel P. Huntington and Joji Watanuki, *The Crisis of Democracy: Report on the Governability of Democracies to the Trilateral Commission* (New York: New York University Press, 1975).

[14]While Huntington's elevation of the political above all else has recently received support from Irving Louis Horowitz, who claims that "society itself has come to be defined by the state," Huntington seems to have recognized the poor explanatory power of such a model. Unfortunately, however, he appears to have swapped one theoretical cul-de-sac for another, in enlisting in the present conservative preoccupation with culture. See Horowitz, *Behemoth: Main Currents in the History and Theory of Political Sociology* (New Brunswick, NJ: Transaction Publishers, 1999), pp. 17, 269; Huntington, "Introduction," in Samuel P. Huntington and Lawrence E. Harrison, *Culture Matters: How Values Shape Human Progress* (New York: Basic Books, 2000).

aspirations of individuals, groups, and societies; economic development involves changes in their capabilities. Modernization requires both."[15]

After a lull during the 1970s and 1980s, the 1990s witnessed a revival of the term, to the point that it is one of the integral themes of contemporary mainstream political rhetoric. However, today we hear far less about modernization as a Third World preoccupation. It is something more readily associated with the industrialized countries.

3. Back to the Future

Huntington's identification of the two vital components of modernization is helpful in analyzing contemporary developments in capitalist political economy. "Modernization" as both concept and ideology has more recently been brought back into focus by the cheerleaders of the "Third Way." Very much an integral part of the rhetoric of Tony Blair,[16] "modernization" is intended to be the essence of the new "inclusive" politics, in which the dynamism of contemporary capitalism is to be wedded to a social ethic of opportunity — a "hand up," as opposed to a "hand out," to quote Bill Clinton — and thus achieve "progress," both economically and morally: "it stands not only for social justice but also for economic dynamism and the

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[15]Huntington, *op. cit.*, pp. 32, 34.

[16]In a revealing commentary, conservative writer Geoffrey Wheatcroft observes caustically: "Most of New Labour's rhetoric was dreamed up by people tone deaf to 20th-century history. You really don't prattle about a 'people's princess' or 'people's opera' if you remember who first gave us the people's car (Volkswagen) or what happened in people's courts." Meanwhile, "One of the simplest truths about history is that progress is not linear. Some things get better, some things get worse, usually both at the same time…But the crucial word for New Labour is modern. Often enough this is simply empty, an alternative for thought or action: modernity is its own justification…The trouble came when the misty concept of modernising became an end in itself. When Blair denounces the forces of conservatism, he forgets that we are all, left and right, conservative in some ways. Radicalism can mean conserving what needs to be guarded, like our attenuated traditions of individual freedom." Here Wheatcroft gets to the nub of the confused politics of the present, where past gains of the Left are now threatened, as opposed to being consolidated or even augmented, placing their defenders in an uncharacteristic, and therefore awkward, position ("Totally modern," *The Guardian*, April, 14, 2000). Meanwhile, as highlighted by the poujadist fuel protests that brought Britain to a standstill in the fall of 2000, radical conservatism has far more potential credibility as the "true opposition" to the onward march of "modernization," given the deliberate, coordinated and sustained attacks that have systematically weakened the Left over the last three decades.

unleashing of creativity and innovation." But in order to be relevant, Third Way policies must be "realistic." And this means adjusting, whether we like it or not, to "reality." "Modernisation is about adapting to conditions that have objectively changed,"[17] say Blair and Gerhard Schröder.

The metamorphosis of modernization from policy option with several potential pathways, to policy, imperative with only one, preordained blueprint is part of the parallel processes of global economic integration and the recasting of social democracy in the industrialized countries. It is common to read of the collapse of the Soviet Union as being somehow responsible for depriving traditional social democracy of its *raison d'être* as humanizing capitalism. With the passing of Communism, capitalism no longer required the welfare state model that had helped legitimate Western political economy since 1945. But this is to ignore the retrenchment that began almost two decades earlier, and the response of traditionally social democratic parties to that retrenchment. The British experience here is salutary, although other nominally socialist or social democratic parties elsewhere similarly "reformed" themselves and, as in Australia and New Zealand, their political economies, when given the opportunity.

As Leo Panitch and Colin Leys meticulously document,[18] "modernization" was integral to the UK Labour Party leadership's project to make the party once again "electable." The 1985 party conference address by its then leader, Neil Kinnock, which, despite following the protracted, bitter and ultimately tragic miners' strike, chose to target the Left within the Labour Party for the benefit of the media that had crucified the party in the previous, shattering general election defeat of 1983, is exemplary. From his election as party leader in 1983 until his own, second general election defeat in 1992, Kinnock set about "modernizing" the Labour Party by centralizing power in the office of the leader, systematically reducing the checks and balances that had, to a certain extent, exerted constraints upon the leadership's ability to set policy independently of the rank and file. This process was continued by Tony Blair in 1994, following the brief interregnum of John Smith's leadership. If anything, it was intensified under Blair, as all remaining perceived obstacles to re-election were either ditched (as with the party's constitutional commitment to public ownership) or

[17] Tony Blair and Gerhard Schröder, "The Third Way/Die Neue Mitte," *The Spokesman*, 66, 1999, p. 27.
[18] Leo Panitch and Colin Leys, *The End of Parliamentary Socialism: From New Left to New Labour* (London: Verso, 1997).

reformed (as with the transformation of the annual conference into something more akin to the showbusiness style of U.S. Democratic Party conventions). Meanwhile the ideological vacuum created by the consignment of "socialism" to the past was filled by the musings of Anthony Giddens, whose "Third Way" sought to chart a "new politics" for "new times."[19] In fact the only new feature of the present political conjuncture is the labelling of the policies currently implemented. While Margaret Thatcher and the Conservative Party have carried their strange, anachronistic cocktail of anti-EU nationalism and deregulatory anti-statist zeal too far,[20] modernized New Labour has emerged as the "natural party of government" and is now consolidating the essential Thatcherite restructuring of the UK political economy. The same is true in other countries, as nominally "Left" governments "reform" or consolidate the state's regulatory role, as in Germany, France, Italy (prior to Berlusconi), New Zealand and the Scandinavian countries. The same meritocratic justifications underlying Thatcher's socioeconomic policies remain central to New Labour's "modernization" of Britain, and the Third Way more generally.

Thus the populations of industrialized countries are being mobilized as never before to aspire to "hard work," a euphemism signalling the ongoing cutback and curtailment of welfare state provision. In the thorough embrace of meritocratic values, people will be entitled to their hard-earned rewards, measured solely in terms of

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[19]See Anthony Giddens, *Beyond Left and Right: The Future of Radical Politics* (Cambridge: Polity Press, 1994); and *The Third Way: The Renewal of Social Democracy* (Cambridge: Polity Press, 1998). "New" is a conspicuous epithet in the rhetoric surrounding and within the Blair modernization project. Some offshoots of the now-defunct Communist Party of Great Britain, apparently fascinated by Blair and his success, have aligned themselves with the Third Way via such organizations as the New Politics Network, which poses as an independent, critical voice, but is, in fact, far more supportive of New Labour than many Left-leaning groupings still remaining within the Labour Party. In an interesting application of Third Way blather the NPN seeks "to promote best practice and excellence in campaigning for a democratic and inclusive society," whatever that means. See http://www.new-politics.net/

[20]Leading to what I have termed "punk Thatcherism," with a nod to Denis Healey's ridiculing of Thatcher's original economic policies as "punk monetarism." Healey, of course, was implying that his more sober, IMF-authored and -imposed version was superior, intellectually and morally. Blair, similarly, very pointedly notes the "necessary" reforms undertaken by the Thatcher governments, while presenting himself as the person most suited to building on their legacy.

material acquisition (actual possession being of greater importance than the manner in which it is financed, i.e., credit). Thus consumer culture will be deepened, as corporate logos symbolizing lifestyle choices proliferate throughout what was formerly the commons (what little there was left of it, that is) and social life further decomposes into packaged "experiences." Meanwhile the political sphere is being depoliticized, as mainstream politicians adopt the managerial mantle, with questions of "what ends?" and "why?" replaced by those of "how?" and "how much?" On the other hand, technological advance requires comparable literacy, encompassing the "economic" component of Huntington's schema. Therefore human capital investment, in the form of increased education and health spending, is vital to the reproduction of a suitably qualified and capable labor force. Such apparently social democratic goals will not, however, be attained via older forms of state organization typical of the post-1945 settlement. Rather, as part of the intensifying symbiosis between state and monopoly capital, these vital services will be "guaranteed" by the state while actual provision will be the business of business — in this case, multinational service companies.[21]

In the meantime the countries of the South are being administered the same prescription, only the dose is larger. Without either the political infrastructure necessary to channel and direct effective opposition (e.g., trade unions, mass movements) or an economic base supporting a sufficiently powerful indigenous capitalist class, international finance capital can dictate conditions more freely. The problems of legitimation that are inherent in the modernization of the industrialized countries do not apply in societies where there is no social democratic welfare state to speak of. What investment in human capital there is comes courtesy of international finance capital and the World Bank, whose role is a dual form of legitimation, underwriting the investments whereby finance capital expects to generate further accumulation, while being seen to attack poverty by facilitating the creation of the conditions for accumulation.

All of which signifies a fundamental change in the meaning and nature of modernization at the present conjuncture. Whereas in the 1960s countries could develop, or modernize, with a certain degree of discretion — the matter of political allegiance did not necessarily dictate economic policy — today modernization is about adherence to an agenda whose terms would appear to have been set without any prior

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[21]See Leo Panitch, "'The State in a Changing World:' Social-Democratizing Global Capitalism?" *Monthly Review*, 50, 5, October, 1998.

consultation. In his recent rehabilitation of the work of Nicos Poulantzas, Leo Panitch describes these terms as the global reproduction of U.S. monopoly capitalism via a neoliberal programme masquerading as deregulatory and market-led. Through international mechanisms such as the International Monetary Fund and the recently created G22, the U.S. Treasury, "the most powerful state agency in the world," seeks to impose a new global financial architecture in order "to make each nation's accounting and bankruptcy laws into facsimiles of the American." Thus the IMF's intervention during the East Asian financial crisis of 1997, whose net result, according to economist Rudiger Dornbusch, was to render the South Korean economy "owned and operated by our Treasury."[22] This was after the imposition of policies described by former World Bank Chief Economist Joseph Stiglitz as inimical to the conditions prevailing in Asia, but in accord with the "out-of-date" economic models employed by the "smart — even brilliant — people" of the IMF. Stiglitz, an insider who admits to being "appalled" by the entire spectacle, blames the fiasco on too much secrecy and too little accountability at the IMF; the same again plus arrogance at the U.S. Treasury Department.[23] This has a degree of plausibility, until one considers all the Third Way rhetoric concerning the promotion of "best practice" and "bad performance rooted out."[24] However, if the central evaluative criterion is the "seizure" of the "chance to catch up with the U.S.,"[25] then both the IMF and U.S. Treasury are assisting in the continuing "development" of other countries. The Third Way's more "caring" rhetoric, while doing little to temper the forward march of modernization and its consequences, attempts to add a benign gloss — "Jam tomorrow."

Thus the illiberal aspects of this otherwise strangely ill-defined political project emerge in the form of "tough choices." Ranged against

[22]Leo Panitch, "The New Imperial State," *New Left Review*, 2, 2, March-April 2000, pp. 5, 16, 18. It should be noted that Dornbusch, along with Stanley Fischer, outgoing deputy managing director of the IMF and "micro-manager" of its controversial interventions throughout the 1990s, co-authors one of the best-selling (i.e., most adopted) introductory economics textbooks in use today. The ideological role performed by mainstream economics education and practice is crucial to the legitimation of capitalist development. With a scientific gloss one can assuredly say "there is no alternative." See Douglas Dowd, *Capitalism and its Economics: A Critical History* (London: Pluto Press, 2000).
[23]Joseph Stiglitz, "The Insider: What I Learned at the World Economic Crisis," *The New Republic*, April 17, 2000.
[24]Blair and Schröder, *op. cit.*, p. 30.
[25]*Ibid.*, p. 33.

the "progressive" agenda are the "forces of conservatism," among whose number would appear to be far greater numbers of socialists and other critics of neoliberal globalism, rather than the straightforward reactionaries of the past. Those wishing to preserve truly progressive, redistributive and egalitarian achievements of previous generations — "the very agencies and institutions that hitherto have measured social progress"[26] — are dismissed as, at best, nostalgic, or, at worst, irresponsible. The implicitly oxymoronic "tough choices" *must* be made because…well, just because. Otherwise one risks simply being left behind. Such are the demands of competitiveness of the new global economy.

But what are these demands? Why *demands*? Why is it that now, modernization is an imperative for the industrialized more than it ever was for the underdeveloped?

To answer the last question first, Western countries, especially the U.S. and Britain, have undergone a fundamental transformation during the last three decades. The steady decline of the post-World War II capitalist economic framework accelerated when, in 1973, the OPEC countries exacerbated the weaknesses inherent in the global status quo by quadrupling the price of oil. This had profound repercussions, destabilizing the already fragmenting status quo in the West and ushering in a period of restructuring that encompassed a huge swathe of social life, radically transforming economic and political options. With the discrediting of the older social democratic orthodoxy, a new coalition of liberals and conservatives joined to advance three major goals whose compatibility was always questionable:

1. The rejection of the view of the state as economic activist, whether promoting national "champions," protecting declining industries, or providing generous support to those otherwise unable to accrue a comparable share of the surplus, and a focus instead upon deregulation and liberalization, including privatization;

2. The adoption of an overtly aggressive anti-Soviet foreign policy that not only buttressed internal security interests but also provided the rationale for a significant expansion of military expenditure, thus effecting a redistribution from the former beneficiaries alluded to in above;

3. The rejection of collectivism and the vigorous promotion of individualism, via the concerted assault on

[26]"House Organ," *CNS*, 11, 1, March, 2000, p. 2.

> organized labor, and the elevation of entrepreneurialism and consumerism as the dual epitome of human achievement, glossed with a particular Christian sheen emphasizing the importance of individual responsibility and moral propriety.

Thus was the post-1945 settlement gradually dispensed with, and in its place, a steadily emergent neo-liberalism, personified by Margaret Thatcher. Her zealous pursuit of policies consonant with the goals listed above was an inspiration to other leaders and policymakers. It was her proud boast that privatization was among Britain's finest exports. However, in implementing policies that were in fact the contemporary embodiment of 19th century classical liberalism, both Thatcher and her followers unleashed forces that she and many others yet show little sign of understanding. But it was her immediate predecessors who were employed as the reluctant vehicles of what became a global program of structural adjustment whose consolidation is now taking place under the auspices of the Third Way.

4. The Washington Consensus and Beyond

Panitch charts the rise of the Washington Consensus from the 1976 intervention of the IMF to stave off the currency crisis threatening Britain. Such was the conditionality attached to the IMF's loan to Britain that it represented a "momentous break with Bretton Woods protocol." Whereas previously the government of such a key Cold War ally would have been allowed significant discretion, the British loan of 1976 marked a crucial departure, and in so doing it "gave the signal for the new era of imperial neo-liberalism that came to be known as the 'Washington Consensus.'"[27]

The economic "wisdom" that was to guide U.S. foreign policy and, in particular, its implementation via the agencies of the IMF and World Bank, can be distilled as follows: markets are efficient, states are inefficient, rich and poor have common interests, and *laisssez faire* policies are the best means of achieving these. Privatization and deregulation, together with the removal of capital controls, would facilitate economic development, while governments should attend to balancing budgets and fighting inflation. These policies, as applied to the recipients of IMF/World Bank loans, were an even more intense version of policies being implemented, to varying degrees, in the industrialized countries. As noted earlier, the prescription could not be as concentrated there because of legitimation problems. Additionally,

[27]Panitch, 2000, *op. cit.*, p. 13.

however, in the case of the U.S., the maintenance and further development of the U.S. state, contrary to neoliberal ideology, was essential to the success of the neoliberal project. That is not to say there was no retrenchment — there clearly was a concerted effort by capital to destroy the post-1945 settlement in order to extract a greater surplus. The clear exhaustion of Keynesian economic policies inspired the formation of a coalition of conservative and liberal interests during the 1970s.[28] Marrying a conservative concern with apparent problems of "governability" and "overload" with classical liberal *laissez faire*, their agenda offered a clear alternative to a bankrupt Keynesianism and a potential Left resurgence — a serious threat in Britain at the time.

The IMF intervention in Britain was the first in a series of precedents marking the passage of international capitalism from the death throes of social democracy toward liberal economic fundamentalism.[29] In retrospect, it marks the metamorphosis of modernization as a national project toward modernization as a global restructuring. At stake in Britain in 1976 was the ability of a democratically-elected government to pursue policies that, electoral mandate notwithstanding, did not conform to the wishes of what we now know as the Wall Street-Treasury complex. Against the wishes of the State Department, the U.S. Treasury oversaw an aggressive, and ultimately successful, effort to close down options available to the British government as the latter sought to counteract yet another sterling crisis — Harold Wilson's government had been forced to devalue in 1967, in what was regarded as an embarrassing illumination of British economic weakness. More importantly, it coincided with a Labour government that, for all its undoubted compromise, still promised to challenge the *status quo ante.* So, having been elected in 1974 promising an "irreversible shift" in the distribution of income and wealth, here, once again, was a Labour government (whose program was, in many ways, more radical than before) hamstrung by a chronic balance of payments deficit and a rapidly depreciating currency. The IMF, on being brought in to help bail out a weak sterling, took the hitherto unprecedented step of imposing strict conditions on any loan it might offer. Prime Minister James Callaghan's efforts to secure concessions regarding Britain's NATO commitments, the government's compromises regarding government expenditure plans, even a personal

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[28]Michael Keaney, "The Declining of the West," *Review of Radical Political Economics*, 32, 4, December, 2000.

[29]This is the title of Jane Kelsey's excellent study of New Zealand's out-Thatchering of Thatcher. See *Economic Fundamentalism: A World Model for Structural Adjustment* (London: Pluto Press, 1995).

offer by West German Chancellor Helmut Schmidt to instruct the Bundesbank to support sterling — all were rejected by an IMF team determined to impose strict limits on the total level of government expenditure and, more specifically, where the government should be targeting its expenditures.[30]

The IMF's 1976 intervention was unquestionably political in its intention. Far from allowing the UK government options to pursue those policies on which it was elected, it sought to impose a "solution" in accord with the predilections of the Wall Street-Treasury complex, whence U.S. Treasury Secretary William Simon, a bond trader by profession, came. Such was its success — conditionality was applied despite the loan not being taken up! — that it may be seen as a prototype for IMF interventions to follow. Of course it would be wrong to claim that what evolved into neoliberalism existed in blueprint form in 1976, unless the work of Friedrich Hayek is to be taken as a definitive guide (itself only one of several competing models within the New Right coalition). Rather, much of what we can see in retrospect as all of a piece was improvised, as with privatization in Britain. Certain ends, such as reducing the state's share of gross domestic product, were axiomatic. But the means to their achievement were not, and it was as much via a process of trial and error that neoliberalism gathered momentum during the 1980s. In fact, by the end of that decade it could be seen to have more or less run its course in Britain, where popular opposition to Thatcher led to a putsch within the ruling Conservative Party which proved sufficient for it to win the following election in 1992. However, the Conservatives proved unable to put a brake on that momentum and were unceremoniously dumped in 1997, to be succeeded by a New Labour government that has proceeded to consolidate the "gains" of Thatcherism very much in accord with the World Bank's contemporaneous call for greater "state effectiveness."

Meanwhile, during the 1980s, as the IMF continued to apply its immutable conditionality rules to loans regardless of the circumstances, the World Bank also began to rely more heavily on neoclassical economists, whose Structural Adjustment Programs (SAPs) became the norm during the 1980s and 1990s. Instead of simply granting loans to

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[30]For a full account of this episode, see Mark D. Harmon, *The British Labour Government and the 1976 IMF Crisis* (New York: St. Martin's Press, 1997); also Panitch and Leys, *op. cit.*; David Smith, *The Rise and Fall of Monetarism: The Theory and Politics of an Economic Experiment* (Harmondsworth: Penguin, 1987); Kenneth O. Morgan, *Callaghan: A Life* (Oxford: Oxford University Press, 1997).

large development projects, World Bank advisers oversaw the implementation of the Washington Consensus as entire regimes were transformed into the replicates of the ideal model, all in the name of "realism." The result was increased instability and capital flight, as deregulation enabled short-term investors to initiate speculative booms, which, upon bursting (as they inevitably do), led to the removal of large sums of investment capital and subsequent currency difficulties. Had previous capital controls been left in place then at the very least, the scale of the problems would have been far less. As it was, the consequent crisis was the cue for the IMF to intervene and apply more the same medicine. Why?

It is unsurprising that Marxian critics like Panitch detect the guiding hand of the U.S. Treasury Department, which, since the British crisis of 1976, often against the wishes of cool-headed diplomats at the State Department, has sought to impose its version of "reality" upon nominally sovereign states. Conservative critics like Edward Luttwak and Chalmers Johnson are equally frank about the IMF's role "as a front for the United States."[31] But when even an insider like Stiglitz names the same guilty party, then this should dispel suspicion of conspiratorialism. Stiglitz claims that secrecy and arrogance are the problems, and that greater transparency and accountability would solve these. However, he does not bother to ask why secrecy should be regarded as necessary, nor does he wonder why such arrogance should predominate. According to Panitch, a good place to start would be in applying and adapting the insights of Poulantzas to the present.

Poulantzas argued that foreign direct investment by multinational companies impacts not only the economic composition of the host country but also the sociopolitical framework. As a result older ideas of economic nationalism are supplanted by new alliances which form between the domestic bourgeoisie and international capital.[32] In Veblenian terms, the entire structure of vested interests is transformed, and the state, as the guardian of the vested interests, oversees both the transition to, and the institutionalization of, the new arrangements, mediated, of course, by battles between different interest groups. Such a

[31]Edward Luttwak, *Turbo Capitalism: Winners and Losers in the Global Economy* (London: Weidenfeld and Nicolson, 1998), p. 51; Chalmers Johnson, *Blowback: The Costs and Consequences of American Empire* (New York: Metropolitan Books, 2000).

[32]The recently aborted — though by no means permanently so — Multilateral Agreement on Investment would have represented the apogee of such "modernization." See Joseph K. Roberts, "Multilateral Agreement on Investment," *Monthly Review*, 50, 5, October 1998.

battle is exemplified by the present impasse in the debate over European monetary union in Britain, where international capital owners' desire to take advantage of lower transaction costs following British entry is frustrated by a concerted nationalist rearguard with powerful assistance from certain interested bystanders with large media empires to propagate their anti-Euro message.[33] The result is a reticence not normally characteristic of Tony Blair. The situation is made more complex by the British economy's dependence upon inward investment — a consequence of the deindustrialization of the Thatcher era. Part of Thatcher's legacy is the significant stake in Britain's economic future held by Japanese capital. While attention focuses mainly upon U.S. political and economic hegemony — for good reason — many observers ignore or belittle the separate Japanese agenda.[34] Together with those of continental Europe, Japanese multinationals have been the most prominent critics of the British government's stalling over entry to the Euro. Having been encouraged to set up in Britain by Thatcher governments eager to tout the success of their deregulationist policies, precisely to take advantage of the relatively favorable conditions in which to gain access to European Union markets, these same investors now enjoy a very shrivelled return thanks to the infeasibly high exchange rate of sterling against a grossly undervalued Euro. While relatively patient, anticipating the UK's eventual

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[33]For instance, Hollinger chief, Conrad Black, whose large circulation *Daily Telegraph* is implacably opposed to British entry, has suggested that Britain leave the European Union altogether and seek membership of the North American Free Trade Agreement; see "Britain's Atlantic Option and America's Stake," *The National Interest*, 55, Spring, 1999. Rupert Murdoch's British newspapers until very recently also campaigned vociferously for the retention of sterling. However, with the election of Silvio Berlusconi as Italian prime minister in May 2001, Murdoch is anticipating the possibility of acquiring Italian media interests that he has long coveted, as Berlusconi has promised to divest assets from his Fininvest holding company in response to concerns over conflicts of interest. For Murdoch this would render euro-denominated transactions integral to his News International empire. Interestingly in this regard, Berlusconi has appointed to his cabinet a former News International executive, Letizia Moratti, as education minister.

[34]According to Taggart Murphy, "Japan's economic administrators…judge their performance by the criteria of the country's technological prowess and industrial strength." A deeply ingrained need for order, and the post-1945 denial of military means by which to impose it, has resulted in Japan's administrators being "left with the single tool of economic policy in trying to control relations with the outside world." See "Japan's Economic Crisis," *New Left Review* II, 1, January-February, 2000, pp. 32, 33.

membership of the Euro-zone, Japanese companies are beginning to flex their muscles. Nissan, with a flagship production facility in North East England, finally agreed to source the production of its new Micra there, rather than in France, on the strength of Blair's pledge to CEO Carlos Ghosn that entry to the Euro-zone would be a priority following the general election of June, 2001. A government grant of £41 million, meanwhile, helped to assuage Ghosn's fears of further losses. Toyota, on the other hand, opted not to extend its existing facility in Derbyshire, but instead opened a new plant in Valenciennes, France, in the week of the British election. The British government is effectively on notice to improve the sterling/Euro exchange rate if it wishes to preserve what remains of the UK's car manufacturing capability — especially its formerly much-vaunted Japanese component.[35] U.S. companies' exposure to Britain's exchange rate position, exacerbated by the slowdown at home, have led to high profile closures by Ford, General Motors and Motorola — further compounding the dilemma facing New Labour as it enters its second term.

The inexorable, if seemingly interminable, drift of Britain toward Europe may become rather more pronounced with the marked shift in emphasis that the presidency of George W. Bush represents. The globalist designs of the Clinton-era Treasury have been replaced by a more regionally focused economic policy, together with a much more aggressive foreign policy. The unsustainable growth that was supposedly the defining feature of the "new economy" has decelerated, and threatens to go into reverse. The Wall Street-Treasury complex has, for the time being, ceded control to the military-industrial complex. Nevertheless, while this has resulted in conspicuous policy changes, it does not signal a fundamental alteration of the underlying pathologies of the U.S. economy, and the limits these impose upon Bush and his administration.

5. The Washington Dissensus

The assumption of power by a second Bush administration this year marks a change in the economic orientation of the U.S. The marked failures of the Wall Street-Treasury complex both to sustain the unsustainable domestic GDP growth of the Clinton era, and the wide discredit earned by its IMF proxy has, for the time being at least, led to a resumption of the military-industrial primacy. This is marked by the pronounced change in U.S. foreign policy — its aggressive stance

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[35]Joanna Walters, "Euro pledge parked the Micra," *The Observer*, January 28, 2001; Victor Mallet, "France warms to Japanese investment," *Financial Times*, June 4, 2001.

toward China and relative aloofness toward Russia, together with the emphatic affirmation of National Missile Defense (NMD) — while the Treasury has lost a supposedly "vital" link to Wall Street via the appointment of an industrialist, Paul O'Neill, as successor to Lawrence Summers. Until this change, U.S. economic policy was geared toward maintaining an unprecedented growth in GDP, financed by the largest domestic credit expansion in U.S. history.[36] The Wall Street-Treasury complex was committed to sustaining this growth, turning the U.S. into (to use Madeleine Albright's infelicitous phrase) "the indispensable nation" as the engine of world economic growth.[37] This had prompted an equally unprecedented net inflow of capital investment that has buoyed the dollar, despite an ever-deepening balance of payments deficit of the kind normally sufficient to sink any currency. In stepping into the breach created by insufficient domestic capital (insufficient to finance investment levels that would sustain strong growth, that is), foreign capital helped to power U.S. economic growth and the value of the dollar simultaneously. These two features became synonymous, as the symbolism of the dollar's strength was reified. Any decline in the dollar's value relative to other currencies would reflect a weakening of expectations concerning U.S. economic performance, thus risking capital flight. The speed with which this can happen in such a deregulated, liberalized financial system gives added urgency to the Federal Reserve's recent, panicky efforts to cut interest rates in order to stave off any hint of a recession. The economic organs of the U.S. state must try to negotiate a soft landing for the U.S. economy and the dollar, otherwise it risks severe debt deflation. Thus, despite the

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[36]The consumption binge driving both domestic and global demand growth was most likely a blip in a longer term pattern of decline. "James Paulsen, chief investment officer of Wells Capital Management, part of Wells Fargo Bank, points out that from a robust 10 percent in the 1970s, annualized sales growth dropped below 8 percent in the 1980s. It then fell to 5.5 percent in the 1990s, its lowest level since the Second World War. He calls this 'the death of demand,' brought about by dwindling population growth, tepid expansion of debt since 1990, and the near-disappearance of government spending as an economic stimulus. The chances of demand growth reawakening soon are slim. Outside the developed world, emerging markets will be slow to pick up the slack. Within the U.S., consumers are sated with purchases made over the past decade. Spending on big-ticket durable goods and structures — which include houses or cars — now stands at record levels as a percentage of total real gross domestic product. American consumers may not need any more stuff." Andrew Hill, "The death of demand," *Financial Times,* June 25, 2001.

[37]See "House Organ," *CNS*, 11, 1, March, 2000, pp. 162-164.

instincts of O'Neill and his fellow industrialists, the U.S. must, for the time being, maintain a strong dollar.

It is a risky situation, but one to which the Bush administration is necessarily tied, thanks to the policies of its predecessor. There are some interesting parallels with the circumstances facing the UK government in 1976. Much as U.S. producers might wish for a relatively speedy, controlled devaluation, conditions will not allow it. The British experience helps to explain why:

> According to the International Monetary Fund's index of relative unit labour costs in manufacturing, British industry's competitiveness had deteriorated by about 7.5 per cent in 1974 and 6 per cent in 1975. In February 1976 the Permanent Secretary to the Treasury, Sir Douglas Wass, and the government's Chief Economic Adviser, Sir Bryan Hopkin, concluded that the pound needed to be pushed down to allow industry to compete.
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> Given the woeful state of the economy, and in particular the balance of payments, it may be thought that such a shove was not needed. But this was a time when the international financial system was awash with OPEC money. And much of it, through Britain's traditional links with the Middle East, was as naturally attracted to the City as a financial centre as were the oil sheikhs to London's clubs and casinos.
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> The first manifestation of the new exchange rate policy was on 4 March 1976, when the Bank of England sold sterling in the markets to stop the pound from rising. The reversal was quick and, in the manner of the foreign exchange markets under floating rates, very dramatic. Harold Wilson resigned the prime ministership on 16 March for reasons which to this day remain mysterious. His successor was James Callaghan who, as Chancellor of the Exchequer, had presided over the 1967 devaluation. To Callaghan, pleased as he was to be Prime Minister, it must have seemed like a recurring nightmare. For, almost immediately, he was faced with a sterling crisis.
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> The Treasury's attempt to achieve a controlled depreciation of the pound had reckoned without the killer instinct of the markets. Very soon an uncontrolled slide developed, with the pound dropping an average of 10 cents a month during the spring of 1976. Britain's official reserves had

> fallen since 1973 and, at less than $5 billion, were insufficient to support the pound.[38]

As the world's most important reserve currency, the dollar is in a far stronger position than sterling was 25 years ago. With most international trade and investment denominated in dollars, there are strong vested interests, far beyond the shores of the U.S., concerned to maintain a strong dollar. However, the present situation cannot continue interminably. In recognition of this the Bush administration is attempting to refocus economic policy along regional lines akin to those of Germany and Japan, in a contemporary refashioning of the Monroe Doctrine.[39] The stated intention to bring about a Free Trade Area of the Americas (FTAA), coupled with dollarization in Ecuador and the currency board in Argentina, suggests that, in contrast to the globalism of the Rubin/Summers Treasury, the current administration will attend to more local matters as part of an emerging political-economic multipolarity. Counterbalancing the European Union and Southeast Asia, the U.S., via the FTAA, would be able to deepen its political and economic control of a significant chunk of global economic resources. This is more manageable in the short to medium term than globalism. Dollarizing Latin America would also partially reduce the balance of payments deficit.

The Bush administration, contrary to its *laissez faire* rhetoric, is also much more interventionist than its predecessor. Its energy plan is clearly premised on the notion of greater self-sufficiency, which combines national security with economic policy — now formally linked within the National Security Council apparatus.[40] Current efforts to coordinate, at a global level, a restructuring of the steel industry (in a manner favorable to U.S. producers) constitute a more pronounced rejection of untrammelled rule by finance capital. Meanwhile, its plans for NMD, greater conventional military spending aimed at "skipping" a generation of technology, and an increased hostility toward China promise a financial bonanza for the military-industrial complex, assuming that the new Democrat-controlled Senate passes the necessary legislation. Given the influence of the Democratic Leadership Council

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[38]Smith, *op. cit.*, p. 64.

[39]In 1823, U.S. President James Monroe, in his annual message to Congress, declared the American hemisphere effectively "off-limits" to European powers seeking to colonize further. This rendered the area a U.S. sphere of influence.

[40]Another resurrected feature of the Ford administration. President Ford's national security adviser, Brent Scowcroft, was intimately involved in the U.S./IMF intervention in Britain in 1976 (Harmon, *op. cit.*, pp. 142, 178).

and the hawkishness of its members (such as Joe Lieberman), Bush and Secretary of Defense Donald Rumsfeld are not as likely to be as disappointed as some commentators would have us believe.

6. Where Are We Now?

Prior to the inept presidential election campaign of Al Gore, it was easier to imagine that the policies of the Clinton administration would have continued; that the financial imperatives of the Wall Street-Treasury complex would have remained the guiding force governing global capitalist development. Modernization, or the reform of economic institutions according to a U.S. blueprint, enforced by the World Bank, IMF and WTO, would have continued apace. Today, with George W. Bush in the White House, these assumptions no longer apply. But though the Bush administration appears to mark a significant change in policy, in fact it was clear that changes would have to be made regardless, as the globalist project of the Wall Street-Treasury complex overreached itself.

There are three major reasons for this. Firstly, the abandonment of the OECD's Multilateral Agreement on Investment (MAI) in 1998 demonstrated the limits of how far national bourgeoisies and states were prepared to allow *carte blanche* to international finance capital. Though it can hardly be assumed that we have heard the last of the MAI, for the time being at least, the remaining jurisdictional constraints on international finance hold firm. Secondly, the collapse of the WTO's talks in Seattle in November, 1999 showed how far apart are the industrialized countries and the leaders of the South. Combined with Clinton's unsuccessful management of globalist/protectionist cleavages in the U.S. political economy, and the high profile street protests that reduced the event to chaos, the momentum driving the expansion of WTO authority was greatly reduced. The WTO has been in relative disarray since, with its Secretary-General, Mike Moore (a veteran of New Zealand's "modernization") repeatedly having to defend an organization under attack. Thirdly, the long-predicted, inevitable bursting of the technology stocks bubble in 2000 put an end to the "new economy" hype and took the bottom from under the prolific rise in stock values that had driven U.S. GDP growth. The process of cumulative causation, whereby the wealth effects of higher stock values financed both consumption and further investment, driving further upward stock values, and so on, suddenly stopped. The fragility of an economy built sky high on consumer and corporate debt has forced the Federal Reserve Bank to adopt demand management monetary policy, reducing sharply the costs of financing this debt and hopefully preventing a potentially highly destructive debt deflation. All three events have signalled the suspension of the Wall Street-Treasury modernization project.

Globalism has given way to regionalism. In a sense this was forecast by the World Bank, whose 1997 World Development Report emphasized the importance of robust state structures that both legitimated and facilitated the accumulation process. The Third Way ascendancy brought about local and regional implementations of policies commensurate with the World Bank's prognosis. However, in the case of the U.S., a different logic prevailed. The unique position of the U.S. has already been noted, with regard to its economic situation. Politically, U.S. power is projected via international organizations like the World Bank, the IMF, the OECD and NATO. Because they are not directly accountable to Congress, operating at arm's length, they were much more effective conduits of the Clinton administration's foreign and international economic policies, especially those of the Treasury Department. Just as Stanley Fischer "micro-managed" the notably unsuccessful IMF interventions of the past decade, so, too, did Lawrence Summers, when Treasury Secretary, attempt to micro-manage the agency.[41] In fact, despite the apparent setback experienced by the Clinton administration when German Chancellor Gerhard Schröder insisted that Michel Camdessus' successor as IMF managing director should be a German, the Summers-led Treasury was spearheading a "modernization" of the agency, involving the usual concessions toward greater transparency and accountability, but institutionalizing further the interests of capital market investors and augmenting existing stipulations to borrowers to adopt U.S. financial "architecture."[42] NATO, meanwhile, was employed by the Clinton administration as the means with which to bypass the inconveniences of the United Nations, most notably in the illegal (under international law) bombing campaign against Yugoslavia in 1999.[43]

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[41]A new U.S. administration has changed this somewhat. "The new U.S. administration has stated its bias against big IMF rescue packages. But the prospect of less micromanagement from the U.S. Treasury is welcome: under former Treasury secretary Larry Summers, fund staff got used to almost daily interruptions on detailed policy areas. 'Less interference in the day to day business of this institution could help for the credibility of our advice,'" current IMF managing director Horst Köhler is quoted as saying. See Stephen Fidler and Alan Beattie, "Köhler focuses on global picture as Fund seeks stability," *Financial Times*, April 27, 2001.
[42]U.S. Department of the Treasury, *Report on IMF Reforms* (Washington, D.C.: October 20, 2000).
[43]The infamous Srebrenica massacre in 1995 was "allowed" to happen by U.S., French and German forces, which ignored the pleas for air support

The Clinton era has truly passed. While the U.S. remains enmeshed in its international commitments, from the very beginning the Bush administration has signalled a profound change in foreign policy, scaling down its European security commitments, taking away the sheen of caring rhetoric by rejecting even the mild provisions of the Kyoto agreement, alienating Russia, and ratcheting up tension in East Asia with an aggressive stance toward China and North Korea. Nevertheless, though policy has changed, implementation is taking longer to have effect.

Firstly, with regard to Europe, the U.S., despite its wish that European allies take greater responsibility (financial, logistical and manpower) for the operations of NATO, it does not wish to relinquish control. The problem here is that U.S. strategists are not psychologically prepared for the inevitable tussle between NATO members as those making a greater financial contribution seek to gain a commensurate increase in policy-making influence. Nevertheless, Europe remains an ally, and is expected to take responsibility for policing the Balkans, as well as "handling" Russia. In this connection NATO Secretary-General George Robertson's pledge to commit resources to the war on drugs is significant.[44]

But this is representative of a more general phenomenon, that of the relative autonomy of these international agencies. This does not mean that these have power independent of their individual state members and sponsors; rather, it means that the institutions of global governance are vehicles for the furtherance of particular interests within

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from Dutch troops administering the UN "safe haven" there. The resultant bloodbath, foreseen well in advance and entirely preventable, served to undermine UN credibility and gave NATO a pretext for assuming control of operations. Ian Bruce, "Cover-up led NATO to betray Muslims," *The Herald*, April 20, 2001.

[44]This pledge was made in an "exclusive" interview with the Scottish newspaper *The Herald*, in which Robertson outlined "his crusade to stop the flow of heroin reaching his homeland" by extending NATO's reach into Kazakhstan, Uzbekistan, Turkmenistan, and Tajikistan, ostensibly to cut the flow of drugs pouring out of Afghanistan. This, despite reports of the virtual cessation of drugs cultivation in Afghanistan following a declaration by the ruling Taliban that opium is un-Islamic. With amazing candor (or carelessness), however, Robertson described Kazakhstan as possessing "more oil than all the Gulf states put together." See Jim Cassidy, "The world on his shoulders," *The Herald*, June 5, 2001; Luke Harding, "World's opium source destroyed," *The Observer*, April 1, 2001; Farhan Bokhari, "Aid urged for Taliban's anti-drug fight," *Financial Times*, June 27, 2001.

and transcending individual states, whose own sources of power can themselves be "appropriated" or "co-opted" by the agency interest. For example, NATO itself is a vested interest, with subsidiary vested interests in the military-industrial complexes of its member states. It has sought to justify its existence ever since the end of the Cold War, and is attempting to evolve from a defensive organization into a proactive policing agency. The IMF, similarly, is a vested interest, which, like NATO, has become an arena of contest between the U.S. and Europe, in particular Germany. Meanwhile Japanese and other Southeast Asian interests are mulling the possibility of a regional equivalent to the IMF, financed mainly by Japan, in order to escape IMF conditionality. Germany, via Horst Köhler, would similarly like to scale down IMF conditionality, but the confused signals emanating from the U.S., whereby Treasury Secretary O'Neill questions the entire premise of IMF operations but appoints as a replacement to Stanley Fischer, Anne Krueger, who is a former Chief Economist of the World Bank (at a time when its SAPs were *de rigeur*), suggest a gradual realization by the Bush administration that key U.S. interests are at stake. The World Bank, meanwhile, finds its Third Way concern with human capital out of fashion back home, and its managing director, James Wolfensohn, has been the target of press smears concerning his management style and resultant low morale in the organization. This has not been helped by the World Bank's recent praise of Cuba for its investment in health and education.[45] The OECD's efforts to clamp down on tax evasion in offshore financial centers, originally involving the imposition of U.S. financial architecture, have been diluted in order to meet Bush administration demands that these centers' tax-raising autonomy is not compromised.[46]

Within the European Union itself, the march toward greater integration and expansion (themselves contradictory goals) is meeting resistance from member states, popular movements and local bourgeoisies afraid of the consequences of being smaller fish in a larger ocean full of sharks. The resurgence in German political assertiveness has exacerbated a crisis of the French state, long used to being the senior partner in the Franco-German axis governing the European

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[45] Larry Elliott and Charlotte Denny, "Open revolt in the Court of 'King' Wolfensohn," *The Guardian*, January 31, 2001; "World Bank heaps praise on Cuba," *The Scotsman*, May 2, 2001; Stephen Fidler and Edward Luce, "O'Neill hits 'peripheral' World Bank initiatives," *Financial Times*, May 23, 2001.

[46] Michael Peel, "OECD and U.S. near deal," *Financial Times*, June 14, 2001.

enterprise. Fall out from the discredited Mitterand era, including the conviction of former foreign minister Roland Dumas on charges of corruption, together with a long overdue reappraisal of the bloody Algerian war, has shaken French self-confidence. As a result, and in common with other populist reactions to globalist modernization, there has been an increase in the volume of anti-Anglo-American rhetoric as regards culture (language and film), politics (NATO vs. United Nations) and economics (*laissez faire* vs. state regulation/protection). Britain's slavish adherence to U.S. dictates is well-known, placing it in an ambiguous position regarding its EU commitments.

This is particularly acute concerning its participation in the Echelon spy network encompassing the U.S., Britain, Australia, New Zealand and Canada. Efforts to construct an independent pan-EU intelligence framework are hampered by the UK's commitment to an instrument of the Cold War now employed for the purpose of industrial espionage. EU expansion is also under threat, owing to Spanish and Irish fears of losing out on redistributive aid funds, which they presently enjoy, going instead to Poland and other applicant states. EU competition policy, an even stronger application of Clinton administration logic, is threatening a number of national vested interests, especially those of France, which has not deregulated or privatized its utilities with great vigor. This has provoked a dispute with Italy, as Electricité de France, still partly state-owned and protected from foreign takeover, has embarked on a buying spree, including the purchase of a stake in Montedison, an Italian holding company with energy interests. And, last but not least, monetary union, and whether or not Britain, Sweden and Denmark participate, will not be resolved until the circulation of notes and coins has taken place (from January 1, 2002), and the costs of that are calculated.

Thus modernization, as a globalist enterprise, would appear to have been suspended for now. The agencies of globalist modernization have not yet adjusted to the new circumstances, and will find it difficult to do so. Similarly, the Bush administration itself will not be able to extricate itself from globalist commitments as easily as it would like. However, there is a clear shift toward a more regionally based process of consolidation. In practice, that will mean a more pronounced subjugation of Latin America and Canada by the U.S.; awkward growing pains for Europe; and exploratory cooperation between Southeast Asian countries seeking greater regional autonomy from U.S. hegemony. This last aspect is complicated by the Bush administration's aggressive stance toward China, and its treatment of Japan, South Korea, India and Thailand as "front-line" states in an ill-disguised, and ill-conceived, policy of containment. All three blocs will chafe against the limits imposed by the others, and organizations like the OECD, Trilateral Commission and the World Economic Forum will assume a greater importance as the secluded means of mediating these conflicts, while the WTO seeks to reassert its damaged authority.

Nevertheless, even if the U.S. is able to oversee a successful consolidation upon which to build a new Treasury-directed program of structural adjustment, to be administered through revitalized agencies like the OECD, IMF and WTO, it may discover a very different global political economy — one more clearly multipolar and therefore more clearly ripe for conflict. And that assumes its consolidation is able to proceed free of troublesome interruptions like a global energy crisis, which, in reality, is already driving much of the present strategic jockeying for position in Central Asia, focused on the Caspian Sea (hence NATO's proposed intervention in Kazakhstan and surrounding countries). The next wave of modernization will have to address the more fundamental issue of energy supplies and how to reconcile these with unsustainable demand patterns. What this entails technologically, ecologically, politically, economically and culturally will be even more far-reaching than the last round of global structural adjustment. It also threatens to be far more reactionary, absent the presence of a global opposition that has both a strong theoretical and organizational base.