

Understanding Global Capitalism: Passive Revolution and Double Movement In the Era of Globalization

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Abstract

This paper attempts to provide a framework for understanding the way globalization has reshaped the terrain and parameters of social, economic and political relations both at the national and global levels, and exerted pressure on the resiliency capacities of capitalism. It proposes to examine the ways social relations of domination and subordination are produced, reproduced and maintained while continuously undergoing transformations. Through conceptualizing the evolution of the capitalist world order in a historical perspective and by exploring the changes of relations brought about by the intensification of globalization since the 1990s, the objective is to generate a perspective for understanding such a process based on the application of Gramscian and Polanyian theoretical and analytical categories. The conclusion aims to convey that the process is contingent on both structures and agencies and it also produces the opposite result: i.e. reducing the legitimacy of capitalism's hegemony and especially limiting its resilient capacities.

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INTRODUCTION

Hegemony and passive revolution

The phenomenon whereby capitalist class societies are able to adapt to changes while retaining their essential features of organization and mode of functioning raises important research issues for political and social sciences as well as for social movements. However, to paraphrase a Marxian axiom, if appearance reflected the true nature of a phenomenon, there would be no need for scientific investigation. Applied to the analysis of present-day capitalism, the task at hand is to understand and explain the mechanisms of motion of this socio-economic system – at the national and international levels – as well as the apparent adaptability and limitations of the ruling classes to respond to challenges to their rule without changing the essence and structure of society. In this respect the concepts and methods developed by political and historical sociology have heuristic explanatory and pedagogical value in the context of national society and the international system.

A point that has to be kept in mind is that while the structuralist framework of Marxism¹⁰ is crucial in understanding and defining crisis at the socio-economic level, critics claim that there is a deficiency with regard to the politics of crisis resolution. The apparent dichotomy between structure and agency has thus to be resolved in order to comprehend the dynamism of the capitalist phenomenon. Although the systemic structures of capitalism are important, structuralism does not open up for understanding the variety of capitalist societies (democracy, authoritarianism, and dictatorship) nor for comprehending social change. The need for inclusion of politics, understood as the interaction of social actors and agencies with the societal structures, is decisive for understanding the resilient dynamism of capitalism.

The notion of passive revolution is derived from the conservative tradition going back to Edmund Burke, who argued, that in order to preserve its most essential features, society had to adjust to changes (Sassoon, 1982, p. 15). In modern settings, the concept was further developed by Gramsci, who used it to refer to a style of state politics that preserves control by a leading group on the one hand while instituting economic, social, political and ideological changes on the other. In other words, the concept encapsulates the means by which a dominant class maintains its hegemony by neutralizing the pressures of various contending forces that might otherwise trigger profound structural transformations. Consequently, the defusing process is achieved without undergoing a political revolution that potentially could threaten the dominance of the leading group and the “modus operandi” of the system. It is in this context that the concept of hegemony should be understood as an expression of broadly based consent, manifested in the acceptance of ideas and supported by material resources and institutions.

The incorporation of passive revolution into the conceptualization of the evolution of modern capitalist societies offers, according to the Gramscian perspective, an explanation as to how bourgeois democracy is able to contain the contradictions of the mode of production, upon which class dominance depends, without resorting to open violent coercion. The class struggle that is a component of capitalist formations is characterized by Gramsci as a “war of position”¹¹. The point to keep in mind is that Gramsci (1971, p. 106-20) recognized that wars have two sides. Thus he considered “passive revolution” in the context of “war of position” by other means, as a “revolution from above – that sidesteps the need for fundamental restructuring from below.”(Mittelman, 2000, p. 167n.)

¹⁰ Structural Marxism refers to the view that in capitalist societies, actors are seen as largely constrained by the key societal structures - economy, polity, ideology. These structural forces are seen as having the power of independent influences in the evolution of societies. However, the economy is eventually seen as obtaining the most determinant power in the last instance. In other words, the economic foundation determines the superstructure.

¹¹ It is a concept used by Gramsci referring to the long period of struggles in which a subordinate class is able to become the hegemonic force by undermining the ideas and values of the ruling classes and initiating a new national-popular collective will under a broad unification of various social forces and groups. It is to be distinguished from what he called “war of maneuver”, i.e. a direct, violent and immediate assault on the state (see Gramsci 1971).

In other words, the hegemony of the bourgeoisie is identified as “political consent...whereby extra-economic modes of domination serve to enforce a ‘dominant ideology’ favorable to the reproduction of capitalist relations of production” (Martin, 1997, p. 51). At times of potential confrontations, the bourgeoisie has shown a capacity to go beyond narrow immediate short-term interests by making compromises (within certain limits) with a variety of allies, united in a coalition of social forces called *historical bloc* (Gramsci, 1971). In this way, the societal order, which the bourgeois ruling class has created and nurtured through a web of institutions, social relations and ideas, represents a basis of consent (Bottomore, 1983: 201).

While Gramsci ascribed the willingness of the bourgeoisie to accept socio-political and economic reforms to the modalities of its rule, Karl Polanyi looked at the dysfunction of the interdependency between society and market as the reason for the unleashing of tensions that are latent in the relationship. The constant attempt by the capitalist class to escape from the control of the state and society encapsulated in the endeavor to shift the balance in the “war of position” in its favor by imposing a “self-regulating market” leads to a political reaction that seeks to protect society from this utopian project. Thus in the Polanyian interpretation of the history of industrial capitalism, two movements are discerned. The one is the liberation of the market from political and social control, i.e., the “disembedding” of the economy. The other being the second phase of the “double movement” with the re-imposition of political supervision and control of the market in order to safeguard the interests of society (Polanyi, [1944]1957).

Thus while not abandoning the structural analytical level, the attempt is made in the thrust of these two approaches – Gramsci and Polanyi - to surmount the dichotomy between structure and agency and emphasize the role of politics in the evolution of capitalism. The combination of both insights is useful to the analysis of the turmoil of the 20th century with its alternation of revolution and counterrevolution, reform and contra-reform as well as war and peace. Following the Great Depression, capitalism worldwide underwent a transformation based on the rejection of laissez-faire capitalism in favor of a more regulated macro-economic system of controlled and rationalized production. This process can be identified as a “passive revolution” which found expression in the reorganization of capitalism in the 1930s and the postwar era through the adoption of the New Deal, Keynesianism and Fordism¹² in the United States and Western Europe. A motivating influence on the ruling elites was that the “war of position” was not going well as capitalism experienced a protracted crisis following World War I and the victory of socialist forces in the Russian “war of movement” following the Bolshevik revolution in 1917. The establishment of the Soviet Union put socialism as a viable alternative socio-economic system on the agenda even though a revolutionary wave was defeated thereafter in parts of Central and Eastern Europe.

While some countries reacted to the crises and potential revolutions in the first half of the 20th century through socio-economic measures whereby preserving parliamentary democracy, the political elites of catching-up countries such as Germany, Italy and Japan resorted to Nazism and Fascism characterized by ultra-nationalism, militarism and contra-imperialism. Nonetheless, the common denominator for the reaction of all industrialized countries to the worldwide crisis of capitalism can be grasped in Polanyi’s “double movement”, i.e., the attempt to shield societies from the ravages of the world market and pre-empt the consummation of the “war of movement” into revolutions and class wars through retrenchment from the international economy and the implementation of protectionism and self-centered economic policies.

Not to be discounted however is that notwithstanding the differences between the strategies for overcoming the general crisis, it was the “creative destruction” (Schumpeter, 1975) of the Second World War that gave capitalism a new impetus. In the post-war period of reconstruction, the ruling

¹² The New Deal is the term given to the series of reform programs implemented between 1933-37 under President Franklin D. Roosevelt aiming to relieve, recover and reform the US economy affected by the Great Depression. Keynesianism refers to the economic policies in the post-war era initiated by western industrial countries that promote a mixed economy and the role of the state in creating demand and economic growth. Fordism refers to a mode of production – social institutions of mass production - aiming at mass consumption combined with mass production to produce sustained economic growth and material advancement; it is regarded as part of macro economic regulations related to Keynesianism.

classes of Western democracies accepted structural regulations and modifications in the economy's mode of functioning in order to defuse social contradictions and neutralize political mobilization and thus re-legitimize its rule. Seen in this light, the "compromise" involved a trade-off: the establishment of a general consensus with regard to maintaining the existing class stratification. Politically, social consent has since come to be regarded as a component of the system of democratic institutions and liberal ideology whereby the general interests of the population were to a larger extent taken into consideration by the state. This give-and-take strategy was functional to the stability of the social structure. Simultaneously, non-state or semi-state institutions such as education, the media and the church exerted a significant impact on people's consciousness in influencing their ways of living thus contributing to the maintenance of the position and legitimacy of the capitalist ruling class. This pattern of social control, which was part of a truce in the ongoing "war of position" in the post-World War II arrangements, revealed the potency embedded in bourgeois political hegemony. Its skilful competence in winning the "rule of legitimation" through the manufacturing of "false consciousness" (Gramsci, 1971) resulted in the acceptance of the perception of the capitalist political and economic system and social structures as inherently rational and natural.

In other words, the ruling elites were able to depoliticize social conflicts or issues of contention with "a 'prepolitical' process that constructs the public agenda and thus predisposes 'politics' to a narrowed set of choices" (Ross and Trachte, 1990, p. 9). It should be kept in mind that the climate created by the Cold War was not conducive to the formation of a counter ideological hegemony. This political evolution however was preconditioned on an economy characterized by a high degree of employment and social security and consumerism.

Objective and analytical frameworks

As a continuation of the authors' previous researches on the evolution and contradiction of capitalism (Li, 2002; Li and Hersh, 2002; 2004), the intention of this present paper is to apply the Gramsci's extended conceptual and analytical apparatus (hegemony, civil society and historical bloc) in combination with the analytical notions of Karl Polanyi concerning the dialectics of market-society relations to explicate our thesis of globalization's counter-productive effect on the hegemony of the capitalist system:

- a) The disproportionate power of transnational capital expressed in its lopsided mobility decreases the "consent basis of hegemony" by having a negative impact on the system's resilient capacities. This transformation is also connected with the post-Cold War geopolitical changes and with the rise of transnational neoliberalism based on the Washington Consensus;
- b) Globalization has reshaped the terrain and parameters of social, economic and political relations both at the national and the global levels. Consequently, the relative decline of states' intervention capability and policy-making sovereignty in balancing and neutralizing contradictions reduces the capitalist system's "social basis of hegemony". The system's passive revolution capacity is substantially weakened due to the lack of an *organic* global civil society as a consent-generating mechanism.
- c) Globalization is creating a double contradiction on market-society relations: on the one hand it is reawakening the forces for the second phase of the "double movement" in the form of needed self-protective measures in the effort to re-embed the economy, on the other hand, the attempts at regulating the market partakes a serious impact on the welfare and interests of the core powers of the existing international system and of individual societies and people. This contradiction is due to the nature of an established market economy where society is already historically shaped and patterned in such a manner that society is structured to function according to market laws (Polanyi, 1957: 57).

Our analytical frameworks, on which the paper's discussion process is based, proposes an analysis of present-day contradictions in the world structure as related to the questions of

legitimacy, hegemony and the embeddedness/disembeddedness¹³ of the economy from the following perspectives:

- 1) At the global level, the historical expansion and legitimization of the capitalist system materialized not exclusively through the productive and technological driving forces but also as the result of the political and military imposition of capitalism on extra-European areas as during colonialism. The present capitalist world order has been primarily maintained under American “hegemonic stability” (*coercion* based on geopolitical and material necessity) in combination with a Cold-War ideological “historical bloc” (*consent* on the basis of anti-communism commonality). The end of the contest between socialism and capitalism together with the rise of US unilateralism and militarism symbolizes the strengthening of coercive realism and the weakening of the consent-based hegemony. American selective international institutionalism (the emphasis on the WTO and the rules of game) in the aftermath of the post-Cold War is part of a strategy aiming at developing international rule-making institutions in order to make all states share the burdens (public goods) of regulating international relations without sacrificing America’s own political and military dominance.
- 2) The intensification of globalization of national economies (market, production and finance) is challenging the foundations of hegemony at the level of nation-state capitalism. On the other hand, it is problematic to discern at the global level a similar scale of integration of state (political society with the key concerns on domestic politics) and civil society (“common sense” in connection with culture and religion). In other words, global capitalism does not really constitute *in organic substance* a “global state” vis-à-vis a necessary counterpart in the form of a “global civil society” which could represent the social basis of hegemony (Germain and Kenny, 1998, p. 15-16).
- 3) Economic globalization through increased functional integration of markets has promoted a tangible historical bloc of global capital/elite classes as well as less-organically founded global civil societies; this makes it difficult to envisage the Polanyian “double movement”, i.e. civil societies responding to the alienation and repression of the market, since both states (a tool promoting economic globalization) and global civil societies in their diversified forms are currently being pulled apart in various directions. On the one hand, states are becoming committed to the internationalization of economic activities (production and finance), while on the other hand, they are organically tied to national structures through a wide range of functions and provisions, not least welfare.
- 4) Moreover, many “resistance movements” (the second movement of the double movement) found in the self-proclaimed global civil societies are not more than *conjunctural responses* to immediate effect of maldevelopment (poverty, environment, terrorism, etc.) or to general principles of common concern (democracy and human rights, etc.) without any *organic foundation* in having concrete influence in both state politics and market mechanism.

In summary, we maintain that Washington Consensus-based globalization in the short run serves the interest of capital but not of the capitalist system in the long run. The argument is based on the recognition that capital is given excessive power in creating a one-directional relationship in which hegemony becomes ever more defined by the transnational capital class on its own terms and then imposed on the rest of the system. As a consequence, capitalism is bound to loose its resilient capacities and unleash self-destructive tendencies leading to dislocation and disintegration. This notwithstanding, any successful “double movement” against the ravages of neoliberalism remains embryonic due to the contradictory nature of the relationship between *market economy* and *market society* in which the market pattern and logic remains at the heart of

¹³ Embeddedment and disembeddedment is connected with the Polanyian notion of “society with market” and “market society”. Society-with-market indicates that economic relations (actors and institutions) are separated from non-economic relations. A market society implies that society itself has become an “adjunct” of the market and market relations are embedded in social relations.

the social organization; this means returning to our original query regarding the fate of passive revolution at the age of global capitalism.

US HEGEMONY AND THE POST-WORLD WAR II ORDER

Defending the capitalist world system

In order to situate globalization as part of the world historical process, one has to take into consideration the vital role of the United States since the Second World War in the attempt to save world capitalism from its own demons and potential menaces while maintaining the interests of the American ruling elite.

The international context facing capitalism in the post-World War II period could be described as critical, that is, characterized by danger but also by opportunity. The menaces to the system - perceived or real - were socio-political and economic as well as geopolitical. Having come out of the conflict stronger than any other core country, the US ruling elite had to come to terms with the task of reestablishing viability to the international system – as a single entity – in order to guarantee the interest of American capitalism. The pre-war contradictions within and between the imperialist powers had to be dealt with in the post-war years. Not only were domestic societies facing the challenge of achieving stability through the implementation of “passive revolution” and the second phase of the “double movement” but the international system had to resolve the inherent contradictions of the inter-imperialist structure.

The Second World War ended with the legitimacy of capitalism as a socio-economic system reaching the lowest level. The capitalist ideological hegemony was on the defensive. The different units of national capitalism faced the wrath of the general populations and working classes whose point of reference was located in the first half of the 20th century including World War I, the breakdown of capitalism in Russia and the Bolshevik revolution, the Great Depression, the threat of Nazism and Fascism, and the Second World War. In the immediate post-World War II context there was a current of substantial sympathy for the Soviet Union in both Europe and the colonial world for the contribution of the USSR in the defeat of Nazism, its mitigated support for the national liberation movements and its role-model of non-capitalist development. As far as the colonial world was concerned, its struggle for independence from the capitalist metropolises threatened especially the interests of European countries.

The division of the world into two major blocs soon after the Second World War was conducive to establishing the United States as undisputed leader of the capitalist camp. In order to rescue a weakened capitalism worldwide and counterbalance the challenges from anti-systemic movements, the United States took on the responsibility of sustaining the necessary conditions for producing and reproducing capitalism’s political and economic order by extending its responsibilities beyond its own territory. The calculated altruism of the US in unilaterally embracing a broad unification of various global forces under the general consent of mutual interest in preserving the functioning of the capitalist world system can be interpreted through the prism of a *war of position*.

Since the United States emerged as the dominant political, economic and military power in the international capitalist system, Washington thus played a significant part in structuring post-war world development. For economic and political reasons the American elite committed itself to the revival of a liberal world economy based on an international division of labor, resource and market access that benefited itself and its allies, and to the promotion of the independence of colonies – in opposition to the traditional colonial powers – except where national liberation movements were under socialist leadership. The role played by the United States was identified by the Realist School as “hegemonic stability”, i.e. providing the “public goods” in order to maintain the global capitalist system. As an apparent benign hegemon, the American strategy during this period is said to have been based on *structural leadership*, i.e. “the ability to direct the overall shape of world political order” on the basis of resources, capital, technology, military force and economic power (Ikenberry, 1996, p. 389).

A major difference exists in the interpretation of the new structure that arose during this period that delineates problem-solving theory from critical approaches. While Neorealist “hegemonic stability theory” (HST) held the position that an open liberal world economy requires the existence of a dominant political and military power, the Neo-Gramscian perspective broadens the concept of

hegemony beyond state dominance to that of a more comprehensive consensual order without however disregarding the importance of leadership (Bieler and Morton, 2003)

Besides the confrontation with the socialist camp that contributed to the global acceptance of US leadership of the “free world” in promoting the restoration of capitalist ideological hegemony under restructured historical blocs - including anti-communist social democratic parties and labor unions - the sustained dominance of the United States required a development strategy for capitalist societies that could re-legitimize national capitalisms while establishing a pattern of international capital accumulation that would facilitate a dominant position for American capitalism.

The significance of a capitalist model of economic activities is that it should encompass the interests of the leading elites also vis-à-vis their working classes. Recognition of the importance of the new structure of production is necessary to comprehend the saliency of the ideological hegemony that was thus able to take root. As Peter Gowan put it:

A development path is not just about economics. It is also about politics. Capitalist classes must be confident that they have a secure path towards their own enrichment-an effective way of extracting value out of production activity. They must also have a path to the strengthening of the political authority of their state over their populations: economics and politics must combine in what is at bottom an overall social power strategy of development. (Gowan, 2003, p. 34)

Having been sheltered from the war destruction that befell the other advanced industrial nations, American capitalism found itself in an unprecedented position - not only because of its economic resources - it became the bearer of a dynamic type of productive industrial capitalism as well. The traditional form of capitalist surplus value creation had been based on limited internal market and oriented toward exporting the products of advanced industries to foreign markets. This “beggar-thy-neighbor” strategy in the 1930s was an important cause behind the breakdown of the world economy leading to the depression and World War II. In contrast to this pattern, the Fordist type of capitalism pioneered in the United States perceived the advantage for capital accumulation of turning industrial workers into consumers of mass production in national capitalism. Juxtaposing the Fordist pattern – including American modern technologies and capital export – to the general socio-economic and political context of the core capitalist centers characterized by strong labor movements and Keynesian economics based on a degree of class compromise made “passive revolution” possible. The deepening of domestic product markets reduced for a time the pressures of absorption between the core centers (*ibid.*, p. 34).

In Polanyian terms this period could be analyzed as the return of the “double movement” after the era of market liberalization during the first part of the inter-war period. The important issue was to find a countervailing strategy whereby the erosion of social structures was to be stopped through redistribution of the national product in order to provide the necessary social protection to the populations of advanced capitalist societies. As a Swedish political economist puts it: “Thus, modern industrial societies were typically distinguished by a market-redistribution mix” (Hettne, 1995, p. 5). Consequently the post-World War II decades can be conceptualized as a period of, on the one hand, the consolidation of national capitalisms through the Gramscian “passive revolution” and the Polanyian “double movement”, and on the other hand, the stabilization of international capitalism through the consolidation of the United States as the hegemon of the world capitalist system.

Based on the marriage of economic liberalism and political realism, the theory of hegemonic stability is premised on the creation and distribution of the public goods. Perceiving states as interest maximizers, realists argue that under normal circumstances, an individual state does not have the incentives to contribute to the public goods because the gains from free-riding outweigh the rewards of cooperation, and the costs of being ridden upon are greater than the benefits from autonomy. Only a hegemonic superpower with sufficient political and economic resources assisted by a military capability is able to provide or induce others to contribute their share to the international common goods, such as “free trade, peace and security, or at least a balance of powers and a sound system of international payments” (Balaam & Veseth, 1996, p. 51). In this context, the most important function of the hegemon is to set forth and enforce the institutionalization of rules for international political and economic relations with a built-in bias in favor of the hegemon as well as securing the continuous

functioning of the capitalist world system. The realist interpretations accept the importance of political and military dominance for the maintenance of a liberal world economy while the liberal (or neo-liberal institutionalist position) considers the possibility of reaching a degree of interdependence through the promotion of the self-interest of the trading states. In other words, applying the “invisible hand” of the market to the international political economy.

The post-war world order, designed and maintained by the United States, was capable of imposing discipline on the capitalist system as a whole in the name of “common interest” for all parties. Such “imposition” of hegemonic stability, however, cannot simply be regarded as a by-product of manipulation or coercion. It must also comply with a genuine ability of the leadership to transform economic dominance under a general unification of the camp of capital into political and ideological hegemony. The Bretton Wood institutions can be seen as the result of US initiatives to negotiate and establish international rules so as to prevent redistributive crises and neutralize various “anti-systemic forces”¹⁴. The incorporated mechanisms of these institutions were also devised to supervise the application of the system’s norms (Cox, 1981, p. 145).

It is commonly recognized that following World War II, the United States fulfilled the role of the benevolent hegemon for the core countries by assuming most of the costs for maintaining the capitalist world system, but also by reaping most of the immediate benefits for the US economy and its business elite. This is an important aspect behind the concept of passive revolution. Understanding that its own prosperity was tightly bound to the operation of the global system and the success of allies and former enemies, the United States was willing to maintain the security and prosperity of partner/competitor nations. Benevolence toward a broad alliance was projected as the principal motivation behind the American role in the establishment of the Bretton Woods system, the Marshall Plan, the Korean War, the NATO, the Vietnam War, etc., while the self-serving motives were underplayed in the US hegemony stability discourse.

American post-war foreign and economic policies aimed at fostering developmentalist, authoritarian and anti-Communist states in different parts of the world. As a matter of fact, immediately after World War II and throughout the following decades, American covert and overt interventions took place in Europe, Latin America, Middle East, Asia and Africa in order to bring about “regime changes” or weaken opposition to pro-American governments (Blum, 2003). In Europe, afraid that mass poverty would eventually facilitate Communist expansion, American post-war policy used the “Marshall Aid” program to revive Western European industries with Germany as the center piece. In East Asia the central aim was basically the same: that is rebuilding the Japan-centered capitalist regional economy including South Korea and Taiwan (Hersh, 1993). Under American protection, perceived external military threats and the internal danger of the communist challenge were substantially reduced in both regions. The burden of the allied countries’ military expenses was greatly lessened by the American military presence. American military bases not only protected these countries but also provided them with some economic benefits such as employment.

US hegemony and the post-Cold War world order

The challenges facing the US leadership of the world system between the post-World War II era and the end of the Cold War period were resolved in favor of the hegemon. As the political scientist Aijaz Ahmad put it:

The three objectives for which the US fought a war of position throughout the twentieth century – the containment/disappearance of communist states, its own primacy over the other leading countries, the defeat of Third World nationalism – have been achieved. (Ahmad, 2004, p. 44)

In contrast to classical imperialist powers, full-fledged American hegemony did not show great interest for direct territorial control of other countries while at the same time keeping contradictions

¹⁴ From the perspective of World-system analysis, communist or socialist movements and nationalist movements were regarded as anti-systemic movements (anti-capitalist forces).

with other core nations within an institutionalized political and economic stakeholder framework (Tabb, 2003, p. 27).

Now that the socialist challenge has subsided both internally and geopolitically in national capitalisms and Third World nationalisms, the intra-core relationship is once again becoming a main determinant in the analysis of international capitalism under so-called globalization. The evolution of relations between core capitalist nations has influenced both conventional methodology as well as critical theory building. Geopolitics, as the study of international relations that had been dominant until World War II, encapsulated competition between advanced nations for control of strategic territories and resources. But as a consequence of Nazi-Germany's open acknowledgement of geopolitics in its drive for "Lebensraum" as well as the parallels between the conceptual frameworks of classical geopolitical assumptions and Marxist-Leninist imperialism theories, geopolitics was replaced in the toolbox of conventional studies by the more acceptable notion of International Relations (Klare, 2003). Taking its point of departure in the bipolar world created by the Cold War, the Realist School of IR gained prominence during this period by looking at the management framework of the relations within the "free world" vis-à-vis the socialist bloc.

Within the different school of thoughts in line with Marxism, the decolonization of the Third World in the post-World War II period as well as the institutionalizing of a pattern of cooperation among core nations revived an old discussion from the first decades of the 20th century. At that time, the context of World War I seemed to confirm Lenin's imperialism thesis of competition between rival monopoly firms and states over control of territories and markets; in contrast the Kautsky vision of a higher phase of "ultra-imperialism" [1914], characterized by a form of collective exploitation of the colonial world, seemed to belong to the realm of fantasy. Inter-core relations during the inter-war period did not bring about new evidence to strengthen the Kautsky argument. However, the debate on the possibility and probability of "ultra-imperialism" regained relevancy in the analysis of both the post-World War II and post-Cold War international political economy

After 1945, US capitalism, acting in the interests of world capitalism as a whole, did establish a variant "ultra-imperialist" economic order under its hegemony through a reorganization of the capitalist world economy by creating new conditions for the continuation of capital accumulation. The coordination problem within the world system was satisfactorily resolved by "the existence of a superordinate power, capable of imposing discipline on the system as a whole, in the common interests of all parties" (Anderson, 2002, p. 20-21). Evidence showed that as long as the level of economic growth and capital surplus were maintained, a certain equilibrium between different sections of capital and between states seemed possible.

Back to the future: from ultra-imperialism to imperialism?

The post-Cold War era has not resulted in a unipolar international structure. In fact we live in a world where the notions of both Kautsky [1914] and Lenin [1916] seem appropriate to the analysis of the condition of collusion and competition between core countries and late comers as well as institutionalized "collective imperialism" in relation to the periphery. The present American political and economic strategy can be interpreted as managing global affairs on the basis of a hybrid of both analytical approaches: On the one hand, the United States "has aimed at the unified, liberalized international capitalist community Kautsky envisioned", while on the other hand, "the global role that the United States has undertaken to sustain that community is determined by a worldview very close to Lenin's (Schwarz, 1996, p. 100).

It is nevertheless paradoxical and contrary to previous periods of inter-core relations that the immediate challenge to the post-World War II arrangements was indirectly the result of the reconstruction and strengthening of the economies of Europe and Japan relative to the weakening of the American economy. Having become the largest debtor country at the same time being the biggest market in the world, the United States is dependent on foreign funds to the tune of \$2.3 billion a day of current rates (Harvey, 2004, p. 74). In return, the lending countries of Europe and especially Asia are dependent on the US market for their exports; this trade-off worsens further the American trade balance without strengthening the world economy. The paradox is that it is not the outside creditors that are demanding that the US rebalance this lopsidedness, but it is the United States that takes

unilateral decisions in contravening the interests of partners and allies. To a certain extent Kautsky's notion may have had some application in the analysis of inter-core relations in the post-World War II era and as a matter of fact the Europeans are still more prone to support some form of ultra-imperialism (*Ibid.*, p. 81). Where Kautsky is perhaps proven incorrect, however, was in his expectation of equality in such an asymmetric alliance (Panitch and Gindin, 2004, p. 9). Cooperation can thus be interpreted as a temporary arrangement while contradiction is a basic constituent of inter-core relations. A war of position at the international level!

In later years, the American political class – refusing to address the structural weakness of its domestic economy – has focused on the country's comparative advantages in the form of an accessible market for foreign exporters, influence in controlling the international financial system as well as military production and power in shaping the international political system. This has affected the debate in the United States where geopolitical considerations concerning the wisdom of empire have been placed on the political agenda. Interestingly, this trend is not exclusively a characteristic of the neoconservative discourse as liberals are also in favor of a more active international role. As William Tabb sees it, the outcome of the present political evolution in the United States will have consequences for the rest of the world for years to come:

What is actually at issue here is the choice between two U.S. imperial strategies: a hegemony geared primarily to promoting neoliberal globalization on terms particularly favorable to the United States, and an alternative hegemony that steers toward the establishment of a more formal U.S. empire. These two paths represent alternative strategies that an imperial ruling class may choose between, but in many respects they may also be complementary (Tabb, 2003, p. 77)

GLOBAL CAPITALISM AND THE RESTRUCTURING OF SOCIAL FORCES

When discussing the changes that have taken place in the internal social politics of national capitalism as well as the new tendencies in the intra-core relationship, it is necessary to look at the new developments against the backdrop of the societal and geopolitical adjustments caused by the globalization process, which is bringing about modifications to existing social, economic and political structures both nationally and internationally.

Globalization and transformations

The transformation of global capitalism denotes a conceptual difference between *internationalization* and *transnationalization* (globalization). The former refers to “the extension of trade and financial flows across national borders”, whereas the latter implies that “the globalization of production has entailed the fragmentation and decentralization of complex production chains and the world-wide dispersal and functional integration of the different segments in these chains” (Robinson and Harris, 2000, p. 18-19). Globalization has brought about some fundamental conversions in the “modus operandi” of the capitalist world system in which the system's constitutive rules and regulative capacities are in the process of restructuring and generating new social constellations of actors and agencies. This process can be analyzed by looking at a number of societal relationships:

Labor relations

The situation and status of the working class has, since the industrial revolution, been related to the position of the individual country on the international scene. From its genesis, capitalism developed unevenly in different parts of the world creating a system of dominating and dominated nations. When conditions of capital mobility are geographically limited within the nation-state boundary, it is possible for organized labor to compel capital into allowing it a certain participation in societal rearrangement, and not necessarily remain in a state of passive submission. In Gramscian terms, this path of passive revolution “is ‘negotiated’ by unequal forces in a complex process through which the subordination and the resistance of the workers are created and recreated” (Simon, 1982, p. 64).

In the context of war of position, the exploitation of working classes in developed countries historically went hand-in-hand with the economic surplus pumped out of the peripheral nations, which led to the improvement of workers' well-being in rich nations. This contributed to weakening global working class solidarity in such a way that "labour organizations in all of the advanced capitalist countries have not only supported their own multinationals in the brutal exploitation of the economies and workers of the poor nations, they have even supported wars in which the workers of one rich nation fought against those of another" (Yates, 2000, p. 49). This has been empirically demonstrated in the case of the American hegemonic position. Modern history of the labor movement in the United States reveals that trade unions have been not only exclusionary in form but also pragmatic and selective in action. The objective of American organized labor solidarity was aimed not at conducting class struggle but at sharing benefits with business by supporting US corporations abroad and strengthening the country's foreign policy regardless of the social costs on workers in other countries (Fletcher, 2003). As a consequence, this imperialist patriotism contributed to the distortion of US trade unions' perception of globalization's impact on the deterioration of their own job opportunities, welfare and social contract as well as on their understanding of the post-9/11 anti-terrorism policies.

This implicit alliance is however coming under pressure. In the present phase of globalization, the internationalization of production and finance permits the use, or threatened use, of capital mobility and relocation of parts or phases of production to countries and regions where low wages and politically-repressed working conditions provide a greater degree of surplus extraction and exploitation. The power of financial and productive capital has thus weakened the bargaining power of trade unions both in developed and developing countries as the result of the changing structure of traditional nation-based industrial production to one being restructured on a world scale.

As a result of the mobility of capital and the global fragmentation and decentralization of accumulation processes and strategies means that class formation also appears to be less rigidly tied to territory and jurisdiction of nation-states in contrast to the traditional societal structure largely based on the dynamic interaction between national capital, workers and the state. According to one opinion, globalization is reorganizing relations to production by which "the proletariat worldwide is also in the process of transnational class formation" (Robinson and Harris, 2000, p. 18-19). Nevertheless, despite the increasing common awareness over the negative impact on jobs and working conditions in the capitalist industrialized nations, it is still questionable whether a burgeoning transnational working class is able to transcend the limit of a "class-in-itself" to become a "class-for-itself"¹⁵ because it has not realized the fact that

The corporations operate only in their own interests. Sometimes these interests will coincide with those of a disadvantaged group, but only by disadvantaging another. For centuries, we have permitted ourselves to ignore the extent to which our welfare is dependent on the denial of other people's. We begin to understand the implications of the system we have created only when it turns against ourselves. (Monbiot, 2003)

A genuine global working class-for-itself can be realized when working classes, especially in the North, are able to grasp the initiative in the war of position, whereby workers together create a counter-hegemonic alliance in the hope of challenging the continued dominance of capital. Under the present conditions, the formation of resistance to global capitalism under a collective and shared identity of interests still has a long way to go.

The "historical bloc" of global capital

¹⁵ Class-in-itself refers to the general common characteristics of being a worker in relations to the conventional classification based on production relations. Class-for-itself refers to the category of self-activity and self-representation, i.e. collective political identity and common struggle. The difference between them is political, i.e. while everyone works for a living, not everyone struggles against injustices embedded in work and fights for a common course.

The condition of globalization is imposing changes that affect the political constellations between the ruled and the ruling elites. This can be seen in the evolution of historical blocs which are in close connection with social movements to deal with specific historical conjunctures or solve concrete problems that have to be confronted by different social groups. In the struggle for hegemony, historical blocs form, dissolve and reform. For instance, in the current context of increasing awareness of the consequences of industrial capitalism on nature, big businesses attempted to mobilize a historical bloc around the theme of sustainable development against what it saw as a threatening counter-culture and movement organized around the powerful idea of the capitalist specificity of ecological crisis.

In the context of international capitalism, competitive capitalist interests may, at least for a time, coalesce into a relatively unified hegemonic bloc. Seen from today's perspective, the situation is perhaps more true than in Kausky's time. The breaking-down of physical barriers promoting the convergence of international capitals means that transnational companies are not only global in what they produce and sell in many parts of the world, but become conglomerates united under similar interests. Former national companies have been merging with those of other countries maintaining a relation of hierarchical dependency to the larger ones. Thus, in the view of some scholars, the transnational capitalist class (TCC) is no longer "Western" but is "global" (Sklair, 1999; 2000).

According to this interpretation, the TCC is becoming the ruling class that controls global decision-making and shapes the development agenda; in other words, a transnational capitalist *historical bloc* has been created. Such a coalition encompasses the North-South dichotomy and consists of various economic and political actors including national elites (parties, media, technocracies and policy-makers), transnational corporations, global financial institutions, and international organizations (Robinson and Harris, 2000). In the new era of corporative capitalism, local and national markets are linked together into forming a global market while national capitals have fused into transnational capital. This bloc is striving to withdraw most of the concessions previously made as a response to labor pressures as well as to socialist and other anti-systemic movements. Its hegemony is said to be so decisive that whether or not its position and ideology is agreed upon by the society as a whole becomes less important. However, what deserves particular attention with the rise of neoliberal globalization is the emergence of financial capital as an engine of capitalist accumulation.

With an estimated worth of \$360 trillion (larger than the value of the entire global economy), world financial capitalism is ushering an age of complexities and instabilities (Gilpin, 2001, p. 6-7). The basic principles of finance, and related branches such as insurance, property market, stock market and public finance are not only increasingly integrating national economies into the capitalist world economy but also fundamentally changing the way economic activities are organized and operated. Contrary to conventional economic theory, financial capital, unlike productive capital, does not lead to relatively stable price formation based on a rational assessment over a number of criteria, such as management, products, marketing, or record of profitability. Rather, financial capital is highly speculative by nature and is inherently inclined to avoid the logic of equilibrium in favor of the momentum of self-fulfilling expectations as when a rising stock price attracts buyers who through these purchases further raise the price level to the point of creating a bubble. The East Asian crisis, the Mexican crisis and the Russian crisis were all indications of the grave consequences created by financial speculations that appear to be beyond anyone's capacity to control.

State-capital-civil society relations

Within the formation of national capitalism, the hegemony of capital lies in a recurrent process of passive revolution and double movement in which the state neutralizes emerging contradictions by implementing mechanisms of redistribution, reorganization and arbitration. The state plays a key role in mediating relations between productive forces and production relations. Under crisis circumstances political and economic elites as well as organic intellectuals begin to initiate state interventions to deal with the situation on two fronts: 1) taking-over of the management and enforcement of negotiations in the controlling of society on behalf of the ruling group; 2) intervention in the economy in order to regenerate productive forces and relations of productions.

During the post-Second World War era, the welfare states in Western Europe characterized by full employment tipped the balance of political power in favor of organized labor. Following the collapse of the Bretton Woods system and the American-initiated oil price rise of 1974 (Kissinger, 1982), capital began to regain control over policy-making in many Western nations under the sway of the ideology and practices of neoliberalism. Since then, economic globalization, especially financial and capital market liberalization, has systematically increased the process of the transnationalization of state autonomy in favor of global capital over national welfare social policies. Consequently, neoliberal globalization not only intensifies the global process of the “disembedded economy” - disembedding the market from society (Polanyi, 1944), but also further integrates and assimilates non-capitalist elements as well as non-market societies in its realm.

What is witnessed today is a situation in which transnational corporations, financial institutions and powerful private investors have the capacity to move production to countries or regions where state’s policies may be more compliant to their interests. They are thus in a position to influence state foreign politics and development policies. In this general context, the traditional social concerns of nation-states are being hollowed out by the promotion of neoliberal policies leading to a “race to the bottom”. In order to accommodate the global economy, states become more and more instrumental to global economic forces penetrating local borders and markets. They behave as organs of capital, destined to create favorable conditions for its maximal expansion. In contrast to this interpretation, some scholars disagree on the above-mentioned relationship between the national state and globalization. They argue that states and globalization are “mutually reflexive and are embedded in, or are co-constitutive of, each other”, which implies that globalization generates both constraints and opportunities for states (Hobson and Ramesh, 2002, p. 8).

This notwithstanding, there is a general consensus today that globalization has largely weakened the state as well as national and global civil societies in which the power and dominance of capital resides. The French diplomat and political scientist, Jean-Marie Guehenno, goes as far as to argue that the idea of the nation-state as a political form that spread from Europe over the rest of the world is becoming superfluous to the extent that capital, on the basis of new forms of technological modernization does not need the nation-state anymore (Guehenno in Grunenber, 1998, p. 414). Nor does capital feel pressured by labor or anti-systemic forces. Other scholars, on the contrary, take an opposite position in claiming that the nation-state remains the primordial actor in both domestic and international economic affairs (Gilpin, 2001). In-between scholars recognize the interplays of continuity and change regarding the relationship between globalization and the state with a keen awareness of the notable changes in the character of the state in terms of capacities, constituencies, policy-making processes and contents, etc. (Scholte, 1997).

The paradox of neoliberalism is that in fact it needs the agency of the state in order to instrumentalize its socio-economic and political strategy and mediate between the contending forces while reducing the legitimacy of the welfare state and economic nationalism as defensive bastions for society. This opens for a critical conceptual discussion of contemporary capitalism. If the traditional functions of the nation-state are becoming blurred, where is the common space of maneuver and where are the boundaries of civil society on which capitalism’s hegemony relies? How can civil society be constructed in an international arena where the global “common ground” (the source of consensual power), such as justice, equality, rights and social security are undermined by globalization? Will the state still be capable of abiding by the social contract that binds state and citizens together in a collective society?

The notion of social contract as citizen-state interactions has undergone dramatic transformations whereby the consent and consensus involving obligations of both citizens and government and accountability-control mechanisms are increasingly being marketized. Consequently, the “social” part of the contract is becoming less universal but more selective, while political participation is becoming less inclusive but more exclusive. This implies the fundamental transformation of the essence of the social contract that - in its original meaning - emphasizes social and political rights. The concept of citizenship as a means of political rights and participation is changed into one of economic empowerment defined in terms of consumers and customers. Under the economy-dominated social contract, the market is ideologically perceived not only as a neutral place (institution) for the exchange of goods, resources and services, but also as the most efficient mechanism to regulate society and human relations.

As far as this evolution in the context of developing countries is concerned, the global market contributes to transforming civil society into a kind of “social cushion” as well as objective ally to neoliberalism that strives to empower the market at the expense of state and society. Thus, grass-root organizations across the world with an anti-statist ideology step in among conflicting social forces and function as mediators between local organizations, the free-market state, foreign donors and transnational companies (Petras, 1997, p. 10).

In sum, the evolution of global capitalism and the restructuring of social forces reveal areas of unresolved problems and potential conflict. Hence, apart from the fact that the term “passive revolution” has lost a great deal of significance after decades of transformations, the instrumentality of this notion in the context of nation-state capitalism cannot automatically be applied to the understanding of reformism and resilience of capitalism at the global level at a time when these mechanisms are urgently needed to deal with a number of vital backlashes created by globalization¹⁶. Global capitalism today does not possess the same kind of hegemonic resilience in which the economic and political orders respond to each other’s legitimacy. Furthermore, the analytical categories within global capitalism’s political order have not yet been fully developed, which makes it difficult to act either on the basis of “juridical power” (state apparatus) or on the basis of “consent-endowment” (civil society).

Seen from a Gramscian perspective, what may be happening is that the order of capitalism on both the national and international plans appears to be in limbo. The structure of values and give-and-take arrangement characterizing the ideological legitimation of power and control was more important than coercion. However, neoliberalism and globalization are impairing the ideological foundations that dominated the relationships between the ruling elites and the ruled masses. At the national level, Western political elites have experienced a loss of credibility, whereas at the international level we see a decline of US ideological and economic dominance. Viewed in this light, the potentiality for tension or confrontation is present: “A hegemony is a consensual order which can decline as a consequence of a legitimacy deficit, even if the coercive power resources as such should remain intact” (Hettne, 1995: 14-15) Depending on one’s way of looking at the crisis, the situation contains seeds of opportunities as well as pitfalls.

WITHER “PASSIVE REVOLUTION” AND “DOUBLE MOVEMENT”?

From its original location in Europe, historical capitalism developed into a global socio-economic and political system. Notwithstanding being parts of this international construction, individual entities had their own borders, structures, actors, regimes of accumulation and laws, while at the same time comprising conflicting forces dialectically upholding the system together while simultaneously weakening it. At the world system level, as Harry Magdoff has pointed out, following Lenin, “centrifugal and centripetal forces ... [are] at the very core of the capitalist process” (1993:77). Thus collusion and collision have been part of the relationship between different ruling national elites. At the domestic level, capitalism exhibits features of an organism in motion leading to tensions and crises but also characterized by resilient structural adjustment and adaptation capacities which have proven on the whole capable of sustaining the processes of creating and recreating conditions for production and reproduction while retaining legitimacy as a viable and sustainable socio-economic system.

In the past, capitalism survived from recurrent crises, assisted by both the trench system of civil society and the coercive apparatus of the state helping to provide national bourgeoisies with an unprecedented level of expansion. Not to be forgotten in this context is the “creative destruction” of war that fulfilled the function of resolving structural economic and political crises by mobilizing the

¹⁶ In a lecture given at the London School of Economics, John Gerard Ruggie (6 June 2002) described three key globalization backlashes: 1) Globalization distributes benefits highly unequally; 2) There is a growing imbalance in global rule making; 3) Globalization is generating greater vulnerability to unfamiliar and unpredictable forces leading to economic instability and social dislocation. See the lecture transcript *Taking Embedded Liberalism Global: The Corporate Connection* available at: <http://www.lse.ac.uk/collections/globalDimensions/globalisation/takingEmbeddedLiberalism/transcript.htm>

nationalism of the populations away from immediate concerns. The realization of “false consciousness” in Gramscian terms!

The regime change that is currently taking place with the transition from “embedded liberalism” to the “disembedding of the economy”¹⁷ is threatening the former societal arrangement. But this interpretation might have been based on a wrong reading of this historical period as well as a misconceived understanding of the concept of embeddedness. As an astute critique of the tendency to conceptualize the post-World War II compromise as the fulfillment of Polanyi’s expectations of the second phase of the double movement puts it:

To the extent that embedding is theorised in terms of the capacity of states to act as gate-keepers to the world to regulate finance and trade to maintain the integrity of domestic political compromises, then the ‘second great transformation’, globalisation, can also be seen as a kind of disembedding. (Bernard, 1997, p. 87)

In essence, this evolution means entering uncharted territory with the world having to cope with transnational and financial globalization as dictated by the hegemony and strategies of neoliberalism. In this context however, the question that arises is whether and how capitalism is able to transgress the historical limits of its *modus operandi* that permits and reinforces capital accumulation without generating counter-hegemonic blocs and anti-systemic movements? The “golden age” of capitalism until the end of the 1960s is characterized as “the compromise of embedded liberalism” (Ruggie, 1982) by critical theory of international political economy and thus as the second phase of the “double movement” of market regulation by the state underpinned by the US-initiated international regime of hegemonic stability; this evolution together with the compromise of “passive revolution” by the bourgeoisie, who accepted the Welfare State, contributed to the reinforcement of the labor movement’s reformism. Of course working-class conditions did generally improve during this period while, however, raising popular expectations as to further gains; these prospects coming on top of the fiscal crisis of the state and exhaustion of the Fordist model, were perceived by the ruling classes as threatening the distribution of the economic surplus and capital accumulation. Seen through this prism, neoliberalism acquires its logic as a political project based on an ideology and strategy of reversal. The defeat of the post-World War II social compromise is underprioritized by critical theory of international political economy who fails to comprehend the contingency of the “passive revolution”, i.e. that it was only an armistice in an on-going “war of position”. Nor does concern that the implementation of a neoliberal socio-political and economic strategy might disturb the previous social harmony seems to have seriously affected the dominant mainstream discourse yet. But given the ambitions of the project of neoliberalism, whose consequences will be a return to a previous era of capitalism, reactions that might menace the entire edifice cannot be ruled out. As Gindin puts it:

Neoliberal globalization also tends to undermine, or at least weaken the capacities of states to legitimate capitalism itself; the earlier promises of steady material security and growing equality have given way to the demands of competitive insecurity; that of growing control over our lives has been trumped by the requirements of expanded accumulation; free trade agreements expose the centrality of constitutionalizing and guaranteeing property rights over other rights (2003, p. 121)

Strength and limits of reformism from above and below

In political terms, the second phase of the “double movement” brought about through the implementation of Keynesian macroeconomics and the welfare state, could be understood as a

¹⁷ Here, “embedded liberalism” refers to the “passive revolution” process in which reform attempts and economic policies were initiated in order to embed the market within society. “Disembedding of the economy” refers to the current era of transnational capitalism in which embedded liberalism is in the process of being challenged and abandoned.

“passive revolution” of the bourgeoisie, i.e. reforms in socio-economic conditions. In contrast, the present offensive of neoliberalism can be conceptualised as the “active counter-revolution” of corporate capitalism. While social-democratic reformism aimed ostensibly at the formation of a corporative alliance between labor, capital and the state, neoliberalism aims at the deconstruction of this structure and the utilization of the state in returning labor to a subaltern political position. While the agency of the state had partially protected society from market forces at the global level, the post-welfare state, in contrast, has become the transmission belt of globalization. That is articulated in the adjustment of domestic societies to the requirements of global capitalism and the redistribution of the economic surplus in favor of the wealthy classes worldwide.

A factor that is not commonly included in the analysis of the transition to neoliberalism is the historical moment of the phenomenon. In the systemic confrontation between capitalism and socialism, the social-democratic model had revealed itself to be a useful instrument. Regardless of one’s sympathy or antipathy for state socialism and recognition of the inherent shortcomings of these societies, it has to be recognized that social democratic parties under the influence of the CIA and American organized labor (Blum, 2003) played a significant role in the anti-Communist struggle domestically and internationally. Besides supporting US subversive activities and policies, Social Democracy by offering a crisis-free model of capitalism with a human face prevented the emergence of systemic alternatives at home and reinforced disillusionment and dissent in the socialist camp. At the time of the demise of the latter, the populations of Eastern Europe and Russia were said to have been yearning for a system incorporating the Scandinavian welfare system, the productive efficiency of German industry and the parliamentary democracy of England. This notwithstanding, simultaneously with the transition to market economies of the former planned economies through the medicine of “shock therapy”, neoliberalism no longer under pressure from state socialism became actively engaged in the dismantlement of the Welfare State in the West and statist “crony capitalism” in East Asia while promoting the marketization of the former command economies. The ideological, political and socio-economic usefulness of Social Democracy was no longer needed.

During the regime of Keynesianism, the dominant strategy and discourse was based on the provision of full or near-full employment; under neoliberalism, the mantra has become flexibility and insecurity of jobs and the constant competitive struggle for workplaces. In the context of the change of regime, neoliberalism can be interpreted as no more and no less than the attempt at restoration of the self-regulated market (disembedding it from society), i.e. as a reactionary socio-economic and political project of erasing the gains achieved by the working classes in the twentieth century.

The historical experience reveals the limitations of the politics of reforming capitalism. On the theoretical level this demands a relativization of the notions of “passive revolution” and “double movement” which have been promoted by so-called critical international political economy or “open Marxism” as it has been called. (for a critique of this approach see: Drainville 1994 and Burnham 1994). Thus the protection of society by the state in the second phase of the “double movement” and the willingness of the bourgeoisie to accept reforms in carrying out a “passive revolution” resulted in the strengthening of the reformist tendencies of the workers’ movement. This took place without altering the essence of the system and leaving in place the conditions for the possibility of a return of the first phase of the “double movement” and “passive counter-revolution” in a modern context.

The dialectics of the “double movement”

The stability and resilience of social power under modern capitalism has rested not just on the coercive apparatus of the state as traditionally understood, but also on eliciting consent through hegemony in consciousness and the non-coercive sphere of “civil society” into forming the “extended state”. However, we are currently at a historical moment in which the “disembedded economy” at both the national and international levels is substantially raising the coercive potentiality of capital. The uncontested power of capital is at the same time reducing the consensual capacity of capitalism and creating the fertile soil for a “double movement” in the form of worldwide anti-capitalism and anti-globalization movements joining forces in de-legitimizing the on-going coercion of market capitalism. As expressed by Mittelman, there might be a similarity with the period around the Great Depression:

Perhaps similar to the global economy of the 1930s, contemporary globalization appears to be approaching a conjuncture in which renewed liberal-economic structures will generate large-scale political, social, and economic disruptions, as well as sustainable pressure for self-protection (2000, p. 8)

While the Gramscian political analytical framework guides us to look into the dynamics of social relations and the dialectical roles of different social forces on which capitalism's resilience, sustainability and hegemony is built, Polanyi (1957) draws our attention to the market-society relations encapsulated in the "double movement": on the one hand, the market (fictitious commodities) continuously extends its sphere by marketizing non-economic aspects of human life in the way that human relations are constantly converted into impersonal ones or into acquiring a thing-like character, whose result is the disintegration of social bond which is an essential constituent of humanity; but on the other hand, as humans are not guided solely by economic motivations, they consciously or unconsciously resist marketization by reclaiming their humanity, i.e. sociality, dignity, freedom and sense of security, as well as by reactivating the essential role of the state as the institution that can be used to discipline the market. Thus double movements are embedded in the state-civil society relations as well.

The contemporary debate over the interpretation of the notion of "double movement" in re-embedding the economy lies in whether this concept should denote "societal protectionism" and "political intervention" to control or regulate the market's mode of functioning, or whether it should imply that re-embedding in a given market society can only be achieved through "a complete subjugation of the market" rather than any attempt to control it (Lacher, 1999a, p. 315). The relationship of the "double movement" to the diabolic complexity of market society as a given structure is spelt out by Polanyi himself:

Our thesis is that the idea of a self-adjusting market implied a stark utopia. Such an institution could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness. *Inevitably, society took measures to protect itself, but whatever measures it took impaired the self-regulation of the market, disorganized industrial life, and thus endangered society in yet another way.* (1957, p. 3, italic added)

Based on the above understanding of capitalism, the common simplification of Polanyi's market critique within IPE is challenged on the basis of the historical evolution of the industrial revolution, meaning that capitalism's unique character as a form of economic organization has institutionalized the embeddedness of economic rationality and principles in social relations. This implies that the counter-movement is not without problematic consequences and the social democratic model was only a partial de-commodification of the economy because of its non-eradication of labor as a commodity. In a contribution aiming to dispel the confusion surrounding the question of the transition from the welfare state to the neoliberal state, Lacher puts it in the following manner, "Precisely because the postwar economy had not been re-embedded, it was possible for the welfare state to succumb so rapidly to the revival of laissez-faire ideology" (Lacher, 1999b, p. 350)

The difficulties of forming a counter-hegemonic historical bloc compelling capitalism to engage a genuine process of "passive revolution", as analyzed earlier, partake the complexity of the "double movement" in regulating the market. Both Gramsci and Polanyi, independently, converged on a similar critique and transcendence of dogmatic Marxism aiming to grasp the dialectics behind state-market-society relations with the dynamism and complexity of society as a key to understand the durability of capitalism in a global order. As Burawoy (2003) pinpoints:

We can stretch Gramsci and Polanyi to generate new insights into the idea of the transnational society. From a Polanyian perspective, we can think of the way transnational society is forged in response to commodification generally but in particular to the commodification of land, labor, and money. But we must be very careful not to romanticize this transnational society. It, too, is a very uneven political terrain, populated by hierarchies of power, sloping down from

center to periphery, and having its own fissures and ravines. From a Gramscian perspective, we can think of transnational society in its relation to supranational state-like agencies, but that connection contains struggles against capitalism as often as it provides grounds for its transcendence.

This complements our proposed interpretation of the contradictions of globalization as a dialectical and dynamic unity embedded in the interaction of reciprocal and paradoxical relations, which, on the one hand, opens the door for progressive transformations, while on the other hand, sets the limit of counter-hegemonic protectionism within market society.

In conclusion it can be said that the contemporary expansion of capitalism and the post-Cold War withdrawal of the United States as the only stabilizer of global hegemony together with its unpopular foreign policies after the 9/11 crisis have brought about changes in state-market-society relations all over the world. The new situation has produced the marginalization of consent/consensus-generating elements, i.e. the institutions, practices, and social relations that constantly exist as alternatives or balances of power. Consequently, without consent-building capacity, global capitalism entails a self-denial potential towards dissolution and disintegration, unless a powerful social force is successful in generating a global “double movement” to push neoliberal capitalism to negotiate a substantial process of passive revolution. At the present time, it is still difficult to foresee the possibilities of an effective global counter-hegemonic project able to generate the possibilities of embedding global capitals and markets in shared social values and responsibilities. The key issue (conundrum!) that needs to be understood is the nature of the totalizing force of capitalism vis-à-vis counter-movement in a nexus of hegemony and contradictions.

While the second phase of the double movement and passive revolution are used to explain the evolution of advanced Western industrialized capitalist societies following the Great Depression, not sufficient attention has been paid to the significance of Fascism as a likewise attempt to protect societies from the havoc of the world economy as well as the defusing of pressures due to the class struggle. It is often forgotten, that from the 1930s on, proto-fascism was implemented in numerous European as well as extra-European societies. Also in Western democracies, there was a large current of sympathy for fascist doctrines. The discussion of the transition from welfare capitalism to market fundamentalism blurs, to a certain extent, the present evolution of “real existing capitalism”.

Under the guise of promoting liberal democracy, neoliberalism is in fact reinforcing structural tendencies of economic and political power concentration. This development is most advanced in the case of the United States, where the military-industrial complex and the oil industry together with other corporate interest groups have a strong hold on the seat of power in Washington. This calls to mind the definition of this type of societal regime by Benito Mussolini: “Fascism should more properly be called corporatism because it is the merger of state and corporate power”(quoted by Mills, 2004). When we look at the structural evolution of present-day US capitalism, the prospects of imperialist conflicts due to the increasing demand for oil and the depletion of resources (Klare, 2001), we have to come to the conclusion that a return to the reformism of the social-democratic double movement and the historical compromise of the passive revolution does not have favorable conditions for implementation.

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