INEQUALITY, POWER, AND THE RULE OF CAPITAL

REFLECTIONS ON THE STATE OF THE GLOBAL POLITICAL ECONOMY

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Draft text, **NOT FOR QUOTATION**

This conference, entitled *UNEVEN DEVELOPMENT, INEQUALITIES AND THE STATE*, calls for debates of one of the key issues today, the twin problems of inequality and uneven development.

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I will begin by reviewing some of the highlights in the 'inequality' debate of the past years re-activated among others by the publication of Piketty's major study *Capital in the 21st Century*. This review serves to emphasize the power structures that underpin various inequalities (both within and between countries). I then turn to the ways in which the structural power of capital is reproduced, basing myself on the work of the so-called Amsterdam School on comprehensive concepts of control, which I apply to a discussion of neoliberalism.

As will become clear, I take a holistic approach departing from the proposition that capitalism is a global system, variegated in the ways in which it manifests itself in different national and regional contexts but fundamentally subject to one and the same overarching dynamic, and embedded in a particular global order. One of my key references here is the work of Robert Cox, whose recent death was a source of sadness, but also one of admiration and renewed interest in some of his central contributions.

Historical disparities

Until the beginning of modern times (i.e. around 1500) the world was actually a very egalitarian place: per capita income everywhere fluctuated around the minimum subsistence level.

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Really noticeable differences only begin to emerge in the years between 1700 and 1870. The gap between the rich countries on the one hand (Europe and the Anglophone settler communities in North America and Australia/New Zealand), and the rest of the world, increases very rapidly until around 1950. These data reflect the effects of Europe's expansion after the so-called "discovery" of the Americas: the slave-trade and slavery-based colonial expansion of the period 1500-1750, the period of the Industrial Revolution in the West between 1750 and 1870, and the era of Western imperialism from 1870 to the aftermath of the Second World War. The countries that first, and most successfully, embarked on a catch-up drive (Japan, and then South Korea) after 1950 were, not by coincidence, all countries that were never colonized by the West or incorporated into the capitalist world-economy as natural resources suppliers.

Tabel 1: Income per capita in 1990 US dollars, 1-2030

Year / Region	1	1000	1500	1700	1870	1950	2003	2030
Western Europe	576	427	771	997	1.960	4.579	19.912	31.389
United	400	400	400	527	2.445	9.561	29.037	45.774

States								
Japan	400	425	500	570	737	1.921	21.218	30.072
Latin America	400	400	416	527	676	2.503	5.786	8.648
India	450	450	550	550	533	619	2.160	7.089
China	450	450	572	571	550	498	4.803	15.763
Africa	430	425	414	421	500	890	1.549	2.027

Source: Maddison (2007), pp. 337, 382.

International income inequality

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The discussion regarding inequality has lately focused on income inequality within countries, for instance in the debate that followed the publication of Piketty's book, and less on inequality between countries. I will briefly return to the debate on income inequality within countries shortly, but let us first look at the issue of global income inequalities. That discussion is still relevant. In the twentieth century the simple fact of where on this earth one's birth cradle stood determined for more than fifty percent what income one will earn over the course of one's adult life: education, effort, class background, they play a subordinate role (Milanovic 2013).

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Income inequality on a global scale is extremely high, higher than within countries generally. In fact, we see that income inequality among the inhabitants of the world as a whole (based on household consumption surveys rather than on national income statistics, Milanovic 2005), is bigger than even within the most unequal countries. Traditionally, the countries with the highest inequality are to be found Southern Africa and in South America, with Gini coefficients of around 60.[1] By 2010, inequality in China had reached about 50, while the US and Russia had risen, or maybe it is better to say declined, to a score between 40 and 50. In Europe, the most egalitarian continent, scores fluctuate between 25 and 35 (Therborn 2013, 115-6).

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However, Milanovic's research also shows that international inequality, measured in terms of the average GDP/capita per country, has been declining since the turn of the century (type1 inequality in Milanovic's terms). When we correct for population size (type-2 inequality), we see that inequality began to decrease around 1980, with the decline accelerating after the turn of the century. And even type-3 inequality, "true" global inequality, started to decline after the turn of the century, although still being very high.

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The decline in international income inequality has thus become a clear trend: the start of that trend depends on the method of measuring. It is quite clear from all the data that the rise of the big emerging countries is the major explanatory factor here, and more in particular, the rise of China which has proportionate influence on all global statistics due to the combination of population size and per capita growth rate.

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[1] De Gini-coefficient, genoemd naar de Italiaanse socioloog Corrado Gini, is het meest gebruikte instrument om ongelijkheid te meten, Op een schaal van 0-100 (of 0-1) staat 0 voor een volledig gelijke verdeling: alle leden van een bepaalde populatie hebben precies evenveel inkomen. Bij 100 heeft één lid van de populatie alle inkomen; de anderen hebben niets.

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The culmination of Milanovic's work in a sense came with his so-called 'elephant graph'. It shows that over the twenty-year period (1988-2008) of full-scale globalization, the winners and the losers show up clearly. The winners are the new middle classes in the large emerging economies (China, but also India, Brazil, Mexico, Turkey, Indonesia etc.) emerging out of poverty, and especially the very top of the income distribution scale, the global rich, whose incomes have sky-rocketed. Meanwhile, the poorest ten percent (many of them in Sub-Sahara Africa and the Indian subcontinent) have hardly seen their incomes grow, while the global middle-income classes (lower and middle incomes in the advanced Western countries as well as large segments of the population in formerly socialist states) have also hardly profited, with their incomes in real terms stagnating (and for some even declining) since the 1970s.

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Inequality within countries

The recent public discussion on inequality within countries has been dominated by the publication of Piketty's work in 2014. The work by Piketty and his associates is distinctive in several ways.

His key proposition explaining the tendency of rising inequality in most advanced capitalist countries, **r > g** (the rate of return on capital is greater than the growth rate of the economy) has led to much discussion and critique: the 'law' is too mechanical, it is impossible in the long run (because it would mean that in the long run all of national income would go the capital), it is based on a mistaken understanding of capital, *et cetera*.

Instead of going into these critiques in detail, let me highlight two aspects that I consider as positive.

The first relates to the shift from a focus on *income* inequality to a focus on *wealth inequality.* This is a meaningful and welcome shift of focus in the inequality debate: the income distribution is after all more a consequence of underlying inequalities than it is the cause of it. Wealth inequality is generally much higher than income inequality: this is logical since income is mostly consumed (especially by lower and middle incomes), but, wealth is usually not consumed but invested.

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Secondly, data on wealth inequality, and Piketty's work is certainly no exception, highlight the extremes. The rising share of the top 1%, or even more extremely the top-0.01%, in global income and wealth has been documented in various forms. We now also know that the global financial crisis of 2007-2009 produced only a minor dent in this development.

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Piketty does not analyze the underlying social power hierarchies that would explain this state of affairs. He uses the term 'class' but operationalizes this concept in the way that American sociology does, i.e. in terms of income categories: modern capitalist societies has three classes: the lower class (the bottom 50% of the income distribution) the middle class (the next 40%), and the rich (the top 10%) (Piketty 2014, 250-2). However, to turn 'wealth' into capital (self-expanding value), there needs to be a social relationship of dependency. In modern late-capitalist societies these structural power relations are largely impersonal, even invisible as a result of the intermediation of financial markets and through the rise of globe-spanning value chains, but they are no less real! Class positions, in my understanding, are related to distinct positions in the overall process of production and reproduction, or to some distinct relationship to the ownership of the means of production, not to a coincidental point on the income distribution graph.

Another oft-quoted observation highlighted by Piketty is that the distribution of income and wealth in the advanced Western countries is rapidly approaching the situation of the nineteenth century. In fact, as his data confirm, the decades around the middle of the twentieth century (1930-1980) are in many respects the historical exception: unprecedentedly low inequality both in Europe and in the US, followed by a rapid increase in inequality after 1980. This pattern is also noticeable in other parts of the world (Piketty 2014, 321-335). Piketty explains this by reference to the consequences of two successive world wars and the policies put in place thereafter (roughly Keynesian redistributive policies). This explanation is not untrue, but it is incomplete. It ignores that fact that it is precisely this period that is characterized, unique in the history of capitalism, by the existence of an alternative economic and social system, namely that of *really existing socialism*. Whatever its many shortcomings, the socialist system represented a countervailing power that strengthened the hand of the working class in the West and forced capital to make concessions and to agree to sometimes far-reaching redistribution, as emphasized by Göran Therborn (2013, 163-40).

Concluding:

Internationally, income inequality is extremely high, but declining since the 1980s (weighted national averages), and more so since the turn of the millennium (global income distribution and unweighted national averages). Key factors are the rise of big emerging economies, especially China, as well as the stagnation of incomes among large segments of the population in the West and in the former socialist countries.

Within-country wealth inequality has increased since the 1970s, with the rapidly rising share in the wealth distribution of the top-1% as the most dramatic aspect.

These findings in the inequality debate point to the links between class power and state power, precisely the theme that has been central to the work of the "Amsterdam School" – a label sometimes used as a joke but taken up as a badge of honor!

The Amsterdam School and the Rise and Possible Demise of Neoliberalism

Introduction

In advanced capitalist societies, political power is organized through what we have called comprehensive concepts of control. A *comprehensive concept of control* is characterized by a specific and relatively coherent set of *ideas* on how to organize the accumulation of capital and the maintenance of the social order; and a specific configuration of *social forces* that succeed in presenting their fractional interests as the *general interest*: [i]

> The capacity of a concept of control to become comprehensive, that is, to be effectively applied as a policy expressing the general interest by governments or international institutions, is based on its objective comprehensiveness (i.e., coverage of labour process, circulation relations, profit distribution, and state and international power relations) and on the particular balance between the 'systemic' requirements of capital accumulation and its concrete, momentary needs. The former tend to reflect the money capital perspective (economic liberalism), and will be most easily and eagerly propounded by those familiar to it by trade or tradition; the latter will tend to the productive capital viewpoint, reflecting the particularities of non-market, non-value aspects of the productive process and its immediate social setting (Overbeek and Van der Pijl 1993: 3).

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The life-cycle of comprehensive concepts of control

No CCOC, or hegemonic project (in Jessop's words) is, or ever becomes, the direct and unmediated realization of the objectives and plans of its key 'authors'. Neo-liberalism is no exception. The really existing neo-liberalism of today is a far cry from what intellectual forebears like Hayek would have wished for in their dreams. Like any hegemonic project, neo-liberalism is a *project in motion*, continuously contested, a process of countless rounds of struggles and negotiations with oppositional forces, and of confrontations with what Gramsci called the 'limits of the possible'. A comprehensive concept of control is not a coherent and consistent set of ideas, policies and institutions put in place by an all-powerful group of actors, but it is what Drainville has called an unending "series of negotiated settlements" (1994, xx). History has shown that hegemonic projects go through specific phases as they develop over time.

A hegemonic project typically emerges during a crisis of the previously hegemonic project, which is delegitimized as a consequence of mounting contradictions and rising contestation by popular forces and by rival elite projects (as during the 1970s in Britain with the crisis of the Keynesian compromise and the rise to power in the Conservative Party of the Thatcherites; in the US, the appointment of Paul Volcker to the Fed in 1979, and the election of Ronal Reagan in 1980, were the defining moments of neo-liberal ascendancy).
The first task, once the groups initially supporting such a new project come to power, is *deconstruction*: to destroy the coherence and remaining legitimacy of the previously hegemonic project. In these early phases in the emergence of a new hegemonic project, key roles are played by the organic intellectuals of the emerging new fractional configuration.
The emerging hegemonic project then achieves primacy through the *construction* of a new common sense, or in other words through the normalization of the new hegemonic discourse, and through the configuration of a supporting coalition of social forces that redefine their particular interests in the terms of the newly constructed and normalized 'general interest'.

During the *consolidation* phase of institutionalization, certain crucial path dependencies are created. Interests become entrenched, ideologies become internalized, and in this manner institutional and ideological blockages arise that prevent an adequate response to emerging contradictions in later phases (as illustrated by the famous confession of Alan Greenspan who was at a loss to explain what happened with the crisis as it contradicted the model he held on to for 40 years).

Consolidation in turn is followed by *maturation*. The new concept of control has become fully 'normalized', but contradictions begin to show in the practical implementation of policies (e.g. privatization of public utilities, which is derailed or produces unexpected and contrarian results). Maturation marks the transition from a virtuous to a vicious cycle: hegemony begins to wear thin and show the first cracks.

Finally, *delegitimation* marks the demise of the hegemonic project and the gradual emergence of a new one: contradictions in the implementation of the project mount, reproduction of hegemony in the heartland leans increasingly on authoritarian imposition rather than hegemonic consensus (something usually true in the periphery at all times), and germs of alternative projects and orders may slowly be taking root even if not yet very visible.

We are not, contrary to appearances, dealing with an endless replay of a scenario in which the component parts remain structurally the same. The paradox of today's crisis is that the bankrupt financial sector, instead of being displaced by an alternative coalition (calling for, say, state intervention to foster an eco-industrial transformation and a restoration of social protection), appears to be successfully entrenching for another round of financial globalization. So why is neo-liberalism not being succeeded by the rise of an alternative comprehensive concept of control providing coherence and direction to the aspirations of a new configuration of social forces?

Neo-liberalism defined

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The concept of neo-liberalism is being used in academic contexts in several different ways. I briefly discuss four: neo-liberalism as

- an ideology, a discourse, a set of policy prescriptions;
- a political project or movement;
- a really existing institutional mode of regulation;
- representing a particular historical mode of capital accumulation on a global scale.

The notion of *comprehensive concept of control* allows us to incorporate these different aspects (we might say the ideational, the agential, institutional and structural aspects) into one integrated yet specific and clearly demarcated understanding of “neo-liberalism”.

In the first use, “neo-liberalism” is placed squarely in the ideational realm. *Neo-liberal thought* is then seen as an ideology or as a discourse (in other words a set of propositions or speech acts that enable us to make sense of the world), or as a set of policy prescriptions or normative reasons, in other words a set of propositions outlining what policies should be enacted, what course of action should be taken, what state of affairs is normatively desirable or ‘ought to be’. It is widely noted that neo-liberal thought has assumed different forms and shapes and its quintessential ingredients have shifted over time (we can refer here, among many others, to the work of Michel Foucault, Jamie Peck and William Davies). Neo-liberal thought originated in the 1930s as a reaction to the rise on the one hand of both Communism and National Socialism in the 1920s and 1930s, on the other hand of various forms of Keynesian state interventionism such as the New Deal. Its guiding conviction was that "liberty" was best guarded by the creation of what Friedrich Hayek called a "suitable framework for the beneficial working of competition'. Indeed, in this early Austro-German version, far from relegating the state to inaction, the state was seen as charged with safeguarding the supremacy of 'competition' and the price system which produce inherently 'just' outcomes. This particular variant of neo-liberalism, better known as *ordoliberalism* (or Ordoliberalismus in German) became the theoretical basis for the social market economy championed by Ludwig Erhard, the architect of West Germany's *Wirtschaftswunder* of the 1950s and 1960s. Then, under the impact of work done in the 1960s at the University of Chicago in particular, 'justice' (with its reference to political metaphysics) is replaced by 'efficiency', where "[e]mpirical outcomes are the barometer of justice, and not conscious intentions, actions or processes" as Davies phrased it. Finally, in the 1980s and 1990s, under the impact of the thinking of Joseph Schumpeter on the centrality of the entrepreneurial spirit, Michael Porter on national competitiveness, and Carl Schmitt on politics as existential combat, the state and indeed much of the public sphere (education, healthcare, social work) became subject, in the words of William Davies, to **'quantitative audit'**.

Secondly, to view neo-liberalism "simply" as a set of ideas on how to organize the economy, society, politics, however, without bringing up the question of the carriers of these ideas - the individuals or political actors actively disseminating neo-liberal thought - means missing a large part of the picture. 'Neo-liberalism' is as much a political project, a movement, as it is an ideology. The emphasis then shifts from neo-liberal thought to the individuals, parties and movements that espouse and propagate the ideas, or in the words of Philip Mirowski and others the *thought collective* translating neo-liberal ideas into political programmes. We do not necessarily need to go along with Karl Marx' famous phrase that "the ideas of the ruling class are in every epoch the ruling ideas" to recognize that ideas, discourses, frames, do not usually travel on their own, miraculously spreading from one place to another blown by the wind. Sets of ideas such as neo-liberalism gain social traction only if they are actively propagated by influential agents, and if they come to serve as the political programme for an increasingly self-conscious configuration of social forces. We may think here of the role played by the Mont Pelerin Society and its off-spring in various countries (such as the Adam Smith Institute in Britain or the American Enterprise Institute in the US).

Thirdly, capital accumulation requires particular institutional arrangements, both at the national and at the international level. Neo-liberalism cannot only be just about ideas and agency: for ideas, discourses, normative frames to impact on society, we must include in our analysis the institutional forms in which they are embedded or sedimented. French regulation theory (Aglietta, Boyer, Lipietz) has been particularly influential in this respect with its groundbreaking work on the Fordist accumulation regime resting on the intensive mode of accumulation developed in the 1920s and beyond, in combination with the Keynesian mode of regulation pioneered in the New Deal and the post-war welfare state developed in Britain (Beveridge) and Western

Europe. Nationally this stage of capitalist development was shaped by the class compromise between productive capital (large corporate conglomerates) and the organized working class in the core countries of global capitalism. At the international level, this phase of global capitalism was characterized by relatively closed national economies, capital controls and fixed exchange rates, engaging in a controlled and managed form of trade liberalization. This "hegemonic" global order (Cox) of 'embedded liberalism' (Ruggie) or 'corporate liberalism' (van der Pijl) was governed through the Bretton Woods institutions, particularly the IMF and the GATT.

Fourthly, ideas are carried by influential agents, but what makes agents influential depends critically on how they are situated in the context of the underlying power structures in society, in other words on how they are able to mobilize and represent a **critical** mass of interests. Likewise, institutions are not neutral, they are imbued with what Ruggie has called a **social purpose**: their raison d'être expresses a particular and historically specific configuration of actors and interests. In other words, modes of regulation reflect the hegemony of particular configurations of social forces.

The work of the Amsterdam School offers a framework which brings these different strands together. The capitalist class never constitutes itself as a unified social force in an unmediated way. The vantage points from which groups of capitalists, their political and ideological representatives, and their organic intellectuals form 'fractions', are determined by the coordinates of their position in the field shaped by two axes: first the divide between the Lockean state/society complex and contender states, or between core and periphery to use the language of *dependencia* theory; and secondly, the divide between *productive capital* and *circulating capital* (subdivided into money capital, commercial capital, and associated functions such as legal representation, management consultancy, accountancy, credit rating, and other professional business services).

Although the concrete process of forming a class coalition will always be a contingent and dynamic process, the perspective that the representatives of circulating capital spearheaded by money capital will bring to it will tend to be, to quote Polanyi, 'the principle of economic liberalism, aiming at the establishment of the self-regulating market'. Its opposite number, productive capital, on the other hand will necessarily advance a definite spatial focus, reliance on the state, and elements of social protection necessary for the provision of trained and fit workers and other physical elements of the productive process necessary to guarantee the continuity of accumulation.

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Has the global crisis spelled the end of neoliberalism

The application of neo-liberal recipes, particularly in the world of global finance, has contributed in no small measure to the outbreak of the global financial crisis in 2008 and to the subsequent near-collapse of the global financial architecture. In earlier instances of global crisis, the then dominant frame of mind succumbed to its own contradictions to give way to a new frame. The Great Depression of the 1930s was followed by the complete collapse of the liberal order, both nationally with state-led responses as different as Fascism and National Socialism in Europe and the New Deal in the United States, and internationally with the collapse of global trade and the formation of rival protectionist currency blocs. The post-war world saw the emergence of a new global order, characterized by the combination of nationally demarcated welfare states where one or another variant of Keynesianism ruled, with a gradually liberalizing international trade system. John Ruggie labelled this configuration "*embedded liberalism*". Emphasizing the hegemony of a new generation of industrial corporate conglomerates in this configuration Kees van der Pijl introduced the term "corporate liberalism". After the crisis of the 1970s, corporate liberalism was gradually replaced by neo-liberalism, characterized by a concerted offensive to "free markets" through deregulation and privatization domestically, and floating exchange rates and the abolition of capital controls externally. Small wonder, then, that after the crisis of 2008 many observers anticipated the end of neo-liberal hegemony and the resurgence of organized forms of capitalism with the state once again in a commanding role, a "Polanyian double movement" so to speak. This expectation was primarily based on the immediate appearances of the crisis as a "financial crisis" which necessitated a state-financed bail-out of banks.

But, eight years later, neo-liberalism still reigned supreme on the global stage. The story of neo-liberalism after the global crisis seems like the chronicle of a 'death foretold' that didn't happen. Contrary to initial hopes or expectations, the pillars of the global neo-liberal order have proven remarkably resilient. Why is this, what is different this time?" A closer look at the particular nature of neo-liberalism reveals that the global social, economic and political transformations of the last decades go a long way towards explaining the remarkable resilience of the neo-liberal configuration. I will end my talk by asking the logical next question: if the rise of alternative and rival concepts of control has effectively become near-impossible, is the world condemned to the eternal rule of neo-liberalism? Or, which are the internal contradictions of really existing neo-liberalism that may still be expected to ultimately bring it down?

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Why did neo-liberalism not collapse in 2008?

In general terms, freely building on the work of Robert Cox, the analysis of this question requires that we employ a multi-layered framework of four mutually constitutive dimensions:

a. The *ideational* dimension, where ideas, discourses, thought frames, policy prescriptions are central;
b. The *agency* dimension, where interests, identity and actorness are central;
c. The *institutional* dimension, where informal rules and formal regulatory structures are central;
d. The *structural* dimension where the dynamics of capital accumulation and modes of social power are central.

These dimensions are all equally relevant, they cannot be reduced one to the other, but they are nevertheless closely interrelated and mutually interdependent and constitutive.

Bearing in mind these four dimensions, and bearing in mind what I have said about the dynamics of the life-cycle of hegemonic projects, I come to the following tentative observations:

a. *There is no alternative idea*? The most popular and most logical *prima facie* explanation would be that there is no alternative to neo-liberal thought. This is true in the sense that there is no coherent alternative discourse which offers a compelling explanation of the crisis and a plausible and attractive way out. This can be attributed to the success of the discursive strategies pursued by neo-liberal thought, such as the development of a powerful *anti-politics*, emptying dominant discourse of any political or politicizing content (Büscher 20xx, xx-yy). The reverse explanation is also found: that 'the left' has been unable to produce an effective counterhegemonic narrative. In my view these are all valid observations but at the same time they describe and identify the problem more than that they explain it. There are plenty of alternative ideas circulating that challenge the precepts of neo-liberal thought, but they appear to carry no weight in spite of the obvious failures and contradictions of neo-liberal thought.

b. *There is no alternative hegemonic bloc.* We may argue that neo-liberal thought remains if not hegemonic then at least dominant, because there simply are no social forces capable of mobilizing and articulating a critical mass of interests coagulating around a hegemonic project challenging neo-liberalism. But then we are again begging the question of **why** this is so. We must go deeper to **explain** the survival of really-existing neo-liberalism.

c. Neo-liberalism in power has erected an *institutional framework* that is fundamentally different from the institutional framework of corporate liberalism. Under corporate liberalism the institutional framework supporting the global accumulation of capital was *politically constituted* and therefore also susceptible to politically generated changes. This is true first of all of the national arrangements in the welfare states of the Lockean heartland as well as in many of the leading developmentalist states. These institutional arrangements rested on a political compromise between leading class forces (primarily transnational productive capital and the organized industrial working class), a compromise moreover that was subject to continuous contestation and re-negotiation in the political domain. On the international level, economic interactions were subject to state control: fixed exchange rates and capital controls. In the course of the 1960s and 1970s, there was, in addition, a tendency to further state-coordinated global governance. The movement for a New International Economic Order, buttressed by the momentary weakness of the heartland due to the oil boycott in 1973-5, combined with the rise of Euro-communism in Western Europe, seemed to usher in an era of North-South bargaining on a much more equal footing than ever before.

How different is the institutional framework of really existing neo-liberalism as it was erected after the victory of neo-liberalism in the 1980s and 1990s. Neo-liberalism became triumphant at the national level (Chile, UK, US), in Europe and North America with the agreements on the Single European Market and later EMU and NAFTA, and globally with the introduction of floating exchange rates, the imposition of IMF-led structural adjustment in response to the 1980s Third World debt crisis, the abolition of capital controls and the wholesale liberalization of financial markets, the end of the Cold War, and the creation of the WTO in 1994. These are all instances of what Stephen Gill called *New Constitutionalism*: the de-politicization of neo-liberal governance principles at the international level. Economic and financial policy-making have been effectively insulated from political contestation; they have been locked-in so successfully that oppositional political forces have found it impossible to politicize issues and make inroads into neo-liberal dominance, even in the unprecedented conditions of the ongoing crisis of the European monetary union.

d. However, this neo-constitutional order would itself come under increasing pressure and would probably not hold very long if it were in fundamental contradiction to the *objective exigencies of the accumulation process at the global level*. The global economy has been characterized since the 1990s by unique features that pre-empt the emergence of a rival historic bloc.

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The following interrelated features of capital accumulation in the neo-liberal age are particularly important:

1) the rise of '*knowledge-based accumulation*' - replacing the typical Fordist organization of integrated international production networks (which in themselves, having arisen in the 1950s and 1960s, have made a 1930s type collapse of world trade next to impossible) - by integrated value chains controlled at the apex by lead-firms typically able to grab a large share of the value produced in the value chain (through control over finance, R&D & technology, and over final market access) without themselves actively immersed in the production process and without confronting labour in the labour process (think of firms like Apple and Nike). Techfirms like Google, Facebook etc

2) At the micro level, the introduction of *flexible accumulation* and more generally of advanced IT into the labour process have fundamentally undermined the possibilities for large scale mobilization of popular dissatisfaction, not only in terms of political mobilization but also in terms of 'simple' trade-unionism, as witnessed by falling union membership rates. Workers have been transformed from members of collective work forces to

highly individualized workers or nominally self-employed ‘entrepreneurs’ beyond the reach of party or union activists.

3) At the heart of global capital accumulation in the 21st century is the continued *structural power of finance*. This is reproduced socially through the dependence on debt for sustaining demand (see the work of for instance Lazzarato and Soederberg), and politically through what Jessop calls the strategic selectivity of the post-Keynesian state in advanced capitalism giving finance nearly exclusive access to the corridors of power.

4) In addition, the world’s labour markets have changed drastically since the 1970s. The collapse of the Soviet Union and the disappearance of an alternative social model have considerably undermined the position of organized labour and of the political left in the advanced countries; and the opening up of China from the 1980s alone has added more workers to the globalizing labour market than the combined workforce of all the advanced OECD economies put together. In this context of neo-liberal globalization the bargaining position of labour, and consequently popular living standards, have stagnated or declined in real terms in all countries except the most successful ‘emerging markets’. [Milanovic’s elephant graph]

Together these four factors explain why there is no Polanyian swing back to social protection and a productive-capital comprehensive concept of control. But, can or will this state of affairs last forever?

Contradictions that may possibly destabilize neo-liberal hegemony

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Nothing lasts forever, not even neo-liberalism. In the wake of the global meltdown, American-dominated global finance has successfully averted its demise. But in such a deep, 'organic' crisis, Stuart Hall argued, it is not enough to defend vested interests. Efforts to restructure must be 'formative', aiming at

> 'a new balance of forces, the emergence of new elements, the attempt to put together a new "historic bloc", new political configurations and "philosophies", a profound restructuring of the state and the ideological discourses which construct the crisis and represent it as it is "lived" as a practical reality'.

Where do we realistically see potential signs of such an erosion of the power of neo-liberalism and the emergence of effective challenges? This is inevitably a rather speculative exercise, but I would like to point out three possible contradictions in global neo-liberalism that might develop in the coming years.

a. First, neo-liberal thought is becoming increasingly delegitimized because of its inability to account for, and counter, the current crisis tendencies. Just as Keynesianism could not deal with the *stagflation* of the 1970s, so neo-liberal thought cannot deal with *secular stagnation*. Mildly critical economists (such as Joe Stiglitz) as well as Keynesians (Paul Krugman), former neo-liberals (such as Martin Wolf or Larry Summers), as well as such institutional champions of the neoliberal order such as the IMF, have become sharper and sharper in their critique of current neo-liberal thought and practice. If we give this an optimistic twist, we may just have to wait for a critical mass of interests to coagulate around an alternative narrative (a neo-Schumpeterian post-Keynesianism or so).

b. However, the same delegitimation of the neoliberal project, the survival of which in national and regional contexts is increasingly predicated on disciplinary non-hegemonic forms (see the development of the EU in this context, and the attitude of the EU Commission vis-à-vis Greece, Italy, Poland, Hungary both in the eurozone crisis and the migration crisis), has also sparked a revival of extreme rightwing nationalism, both economic and political. And this new nationalism is a threat not just to the market fetishism inherent to neoliberalism, but much more seriously to the fundamental liberal traditions of democracy and freedom of expression, of human rights and respect for minorities, of the rule of law.

c. Third, to the extent that the restructuring of global value chains is irreversible, we will not see a return to a productivist project in the heartland of global capital. However, austerity is deepening the need for redistribution to address growing inequality, and secular stagnation is creating a stronger and stronger need for public investment programmes. We could thus possibly see the hegemony of finance undermined by the political and economic need for a much stronger economic role for the state.

d. At the level of international order, we may be seeing the contours of a rival institutional order to the western-dominated neo-liberal Bretton Woods Two system, namely the BRICS – China project around the New Development Bank, the AIIB etc., an order which using Robert Cox's terminology should be labelled one of *rival imperialisms*.

I propose that I spend my remaining time exploring in some more detail the prospects for such a new Global Order, and particularly the role of China in this context, as by far the economically most successful, politically stable, and strategically relevant of the big emerging powers.

While China may be the most robust of the non-Western powers, its continued rise is not a foregone conclusion. China is confronting huge challenges on its road to sustained growth in the coming decades.

Domestically, we may say that its biggest problems are threefold, and the more complex because they are intimately interrelated. First, the Chinese growth model needs a fundamental overhaul: from a model based on extensive, low-wage, low-tech, export-oriented and investment-driven growth, it needs to move towards a model based on intensive, innovation-driven growth increasingly relying on domestic consumption and rising wages. Secondly, China urgently needs to find solutions to its massive environmental problems ranging from air and water pollution to food safety. And finally, and of course closely related, the Chinese leadership needs to confront the wide-spread political dissatisfaction among the population related not only to environmental issues but equally to the issues of social inequality, corruption, and (for some at least) censorship of the internet and the media.

Externally, China's rise has also led to an accumulation of challenges. First, China is very heavily dependent on external sources of energy, minerals and food. In particular, the continuity of production and transport systems critically depends on the uninterrupted flow of oil and gas into the country. Similarly, the overseas trade routes through which Chinese exports flow to the world markets are also highly vulnerable, to piracy but also to monitoring, control and potential blockade by US naval forces. Finally, the huge currency reserves

(currently around 3 trillion US$) accumulated since the Asian financial crisis are a mixed blessing: they provide a welcome buffer against potential financial instability, but they also give the authorities in charge a headache: a large proportion of these reserves are invested in US government bonds, thus entangling the Chinese and US governments in a peculiar embrace where it is difficult to determine which side would be hurt more by a sudden reversal of fortunes (disinvestment by the Chinese, devaluation by the US) .
These last points highlight an Achilles heel of the Chinese strategy: its continued success critically depends on reaching an accommodation with the US. With its political if not proprietary control of Chinese capital, the Chinese state class was content to defer to US hegemony while it could still hope to be accepted as a key partner in the management of the capitalist world-economy. Around 2010 it became clear that US-China divergence has become the dominant trend: the US-led transnational power bloc had basically rejected the Chinese application to join what would then become a G2 (through its blocking of an upgrade in China's standing in the International Monetary Fund (IMF), through the offensive for a Trans-Pacific Partnership (TPP) in response to the WTO impasse, and by misreading China's acquiescence in the case of the Security Council resolution on Libya) while emanating at the same time signals that the Chinese could only perceive as threatening (the 'pivot to Asia', the targeting of regimes in Iran and Russia).

The Chinese state class, especially after the coming to power of the new leadership under Xi Jinping in 2012, responded by shifting its focus to fostering new alliances and constructing an alternative international framework. The key components of that new framework are the BRICS (Brazil, Russia, India, China, South Africa) created in 2010, with the creation of a New Development Bank, the Shanghai Cooperation Organization (SCO) created in 1996 but recently revamped with the accession of India and Pakistan; and then the Belt and Road 'initiative' and the Asian Infrastructure Investment Bank (AIIB). The latter two are clearly initiatives to provide hegemonic leadership to expanding regional networks, and the successful recruitment of traditional US allies such as Australia and the United Kingdom (which both ignored heavy US pressure) to the AIIB may well signal the coming of age of the China as a 21st century global power, which would usher in a non-hegemonic global order structured by the strategic rivalry between the US and China.

The arrival of President Trump on the global scene has only exacerbated the situation. Trump has moved from Obama's and Clinton's halfhearted pivot to Asia to a full-scale economic warlike offensive with the so-called trade war. The trade war is not really about trade in the usual sense of the word, but it is about trying to force China to open up strategic markets for US capital (finance, automobiles, hi-tech) so that the Chinese autonomous development project is derailed. As far as trade is concerned, it seems that Trump and his trade advisers (Navarro) aim to force US multinational firms to cut Chinese suppliers out of their production chains, especially where US firms are relying on Chinese suppliers for critical components.

It is obviously too early to predict what the outcome of this economic war will be:

- The Chinese may be defeated by a successful US offensive leading to China's decline and even disintegration;

- Trump may prove to be a temporary diversion, and China may yet be incorporated into a revamped liberal global order established by the transnational capitalist class;
- China may successfully withstand the US onslaught and continue its build-up of alternative structures;

What is certain, however, is that over the next decades the global political economy will be decisively shaped by the trajectory of China's rise and by the relationship between US ruling elites and the emerging Chinese state class. The "normalcy" of US-led global neo-liberalism may very well be permanently a thing of the past, and we may see a transition to inter-imperialist rivalries (similar to the end of the 1§9th century) between the US, China, Russia, the EU led by Germany, Japan, India and middle powers such as Iran, Turkey, Brazil etc..

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[i] Van der Pijl 1984; see for early definitions of neoliberalism in this was Overbeek 1990, Overbeek and Van der Pijl 1993; see also Jessop et al. 1988 for their early interpretation of Thatcherism as a hegemonic project. Also see Overbeek 2004.