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UNIVERSITY OF SOUTHAMPTON

FACULTY OF LAW, ARTS & SOCIAL SCIENCES

School of Social Sciences

**Exclusion in the Global Political Economy: A Critique of
Orthodoxy**

by

Alexander Robert Kirkup

Thesis for the degree of Doctor of Philosophy

May 2009

Abstract

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EXCLUSION IN THE GLOBAL POLITICAL ECONOMY: A CRITIQUE OF ORTHODOXY

By Alexander Robert Kirkup

This work is a critique of orthodox conceptions of social exclusion in the global political economy. Following Foucault's methodology, our argument is that orthodox political-economic discourses, from 18th and 19th century classical political economy to late 20th century neoliberalism, provide only partial and limited accounts of social exclusion, and as such obscure its production and reproduction within the global political economy.

We uncover this problem by first examining the contemporary period of globalization, which reveals a discrepancy between orthodox discourse taken at face value and the actuality of social exclusion.

Marx's critique of classical political economy exposes the fundamental basis of this discrepancy as the way in which the false assumptions of orthodox discourse make the market appear 'natural' to human social relations. Exclusion is thus conceived as the state of being on the outside of the market and associated structures and institutions. This obscures how both the historical construction and political governance of the market produce patterns of social exclusion.

To move beyond this failing we employ Marx's historical materialism as an alternative perspective which brings to light the production of exclusion *within* and *as a product of* social structures and institutions. We combine this with Foucault's notion of power to establish a framework to investigate the production of social exclusion in terms of land, labour, capital, rights, gender and truth.

Initially we develop this as a general mode of inquiry, leading to brief studies of feudal Europe, classical Islam and T'ang China.

Then we apply this framework to the historical construction and political governance of the market within the capitalist global political economy, drawing upon the work of Marx along with Stephen Gill, Antonio Gramsci and David Harvey. We study three historical periods to show the production of social exclusion at work. First, agrarian capitalism and the Industrial Revolution in England and their impact upon world trade. Second, the post-1945 'Golden Age' of capitalism. And third, the post-1970s era of globalization.

This work makes a contribution to knowledge by being the first attempt to understand the global political economy as a whole in terms of inclusion / exclusion, and the first systematic application of the concept of social exclusion on a global scale.

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Declaration of authorship

I, ALEXANDER ROBERT KIRKUP declare that the thesis entitled EXCLUSION IN THE GLOBAL POLITICAL ECONOMY: A CRITIQUE OF ORTHODOXY and the work presented in the thesis are both my own, and have been generated by me as the result of my own original research. I confirm that:

- this work was done wholly or mainly while in candidature for a research degree at this University;
- where any part of this thesis has previously been submitted for a degree or any other qualification at this University or any other institution, this has been clearly stated;
- where I have consulted the published work of others, this is always clearly attributed;
- where I have quoted from the work of others, the source is always given. With the exception of such quotations, this thesis is entirely my own work;
- I have acknowledged all main sources of help;
- where the thesis is based on work done by myself jointly with others, I have made clear exactly what was done by others and what I have contributed myself;
- none of this work has been published before submission.

Signed: ALEXANDER ROBERT KIRKUP

Date: 11/05/2009

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Nevertheless, whatever shortcomings this work contains are entirely my own.

Abbreviations

Abbreviations

AoA	Agreement on Agriculture (WTO)
BIS	Bank of International Settlements
CEPAL	1948-84: <i>La Comisión Económica para América Latina</i> (Economic Commission for Latin America, UN). After 1984: <i>Comisión Económica para América Latina y el Caribe</i> (Economic Commission for Latin America and the Caribbean, UN)
COCAHICH	The Organizing Committee of Communities Affected by the Chixoy Dam (Coordinadora de comunidades afectadas por la hidroeléctrica Chixoy)
CSI	Coalition of Services Industries (US)
DFID	Department for International Development (UK)
DSU	Dispute Settlement Understanding (WTO)
ECO	Economic Cooperation Organization
EOI	Export-oriented-industrialisation
EU	European Union
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
IBRD	International Bank of Reconstruction and Development
ICCPR	International Covenant on Civil and Political Rights
ICESCR	International Covenant on Economic, Social and Cultural Rights
IDA	International Development Association
IILS	International Institute of Labour Studies
ILO	International Labour Organization
IMF	International Monetary Fund
ISI	Import-substitution-industrialisation
Isis-WICCE	Isis-Women's International Cross-Cultural Exchange
ITO	International Trade Organization
NAFTA	North American Free Trade Association
NHS	National Health Service (UK)
NIDL	New International Division of Labour
PMC	Permanent Mandate Council, League of Nations
PRSP	Poverty Reduction Strategy Paper
SAP	Structural Adjustment Programme
SDR	Special Drawing Right
TNC	Transnational corporation
TRIPs	Agreement on Trade-Related Aspects of Intellectual Property Rights (WTO)
TRIMs	Agreement on Trade-Related Investment Measures (WTO)
UK	United Kingdom of Great Britain and Northern Ireland
UN	United Nations
UNDP	United Nations Development Programme
UNHRC	United Nations Human Rights Council
US	United States of America
WHO	World Health Organization
WTO	World Trade Organization

1. Introduction

For there is nothing hidden that will not be disclosed, and nothing concealed that will not be known or brought out into the open.

Jesus of Nazareth, Luke 8:17

This work attempts to put forward an understanding of the global political economy in terms of inclusion / exclusion. From the emergence of agrarian capitalism in post-feudal England through the subsequent development of capitalism on a global scale the global political economy has become inscribed with this dichotomy. Today's globalized world is full of dividing lines between those who are included in, and those who are excluded from, its central institutions and structures. The ownership of private property, access to credit or social insurance, the ability to speak English or some other international language, education and qualifications, the geographical distribution of political security and conflict, the extent of the means of transport and communication; these social distinctions are all inscribed with patterns of social exclusion. As much as one person or group has access or provision, others stand excluded. No observer of the global political economy denies the existence of great inequalities between inclusion and exclusion. The problem, however, concerns how the production and reproduction of social exclusion is conceived. This work is a critique of such conceptions. Our argument is that orthodox political-economic discourses, from 18th and 19th century classical political economy to late 20th century neoliberalism, provide only partial and limited accounts of social exclusion, and as such obscure its production and reproduction within the global political economy. We employ the historical materialism of Karl Marx to construct an alternative perspective as a challenge to orthodoxy. Our approach follows the methodology of critique, as outlined by Michel Foucault.

1.1. What is critique?

In a 1978 lecture entitled *What is Critique?* Foucault traces the historical development of 'critique' as a mode of inquiry. He argues the tradition of critique emerged in opposition to a new discourse in 15th and 16th century Europe, the elaboration of the 'arts of governing' for the new national polities emerging out of feudalism. This discourse defined the correct and true aims, objectives and

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practices of government, and in doing so redefined and extended the areas of life which fell under its jurisdiction. The truth-claims of this discourse thus held a power over people, defining the limit and scope of their lives. Critique emerged as a form of resistance, as 'an act of defiance, as a challenge, as a way of limiting these arts of governing and sizing them up, transforming them, of finding a way to escape from them or, in any case, a way to displace them' (2007:44-5).

Foucault suggests critique has subsequently become a general mode of inquiry into all such discourses of 'truth'. Critique, he argues, 'is the movement by which the subject' – the individual or group subject to discourses of truth – 'gives himself the right to question truth on its effects of power and question power on its discourses of truth' (2007:47). It does so by unearthing its everyday assumptions and truth-claims which have become concealed by the 'habits or routines [that] have made them familiar to us', 'the blinding force of the power mechanisms they call into play', and the 'justifications' developed to give them legitimacy. In other words, assumptions and truth-claims which are 'not inscribed in any *a priori*, nor contained in any precedent', but which have, instead, emerged in a historically specific context (2007:62). 'Truth is a thing of this world' (2002:131), he reminds us elsewhere; '[n]othing is fundamental' (2002:356). Rather, everything is in some way socially and historically constructed. Critique thus takes as its object a discourse of truth, an orthodoxy, which acts as a power over people. It seeks to disarm this discourse by bringing to light its truth-claims and their role in power-relations. It traces their historical emergence, showing they are not true for all time, but have instead been made true in a particular time and place, within particular social structures and institutions, and to the benefit of particular groups and interests.

Thus, while on the one hand critique reveals how orthodox discourses are a power over people, on the other it reveals how they mask various social processes and the power-relations behind them. Critique 'is concerned to expose the interests served by the production and maintenance of particular truths, and the processes that enable some forms of knowledge to be accepted as complete and legitimate while other forms are labelled partial and suspect' (T. Evans 2005:36). The goal is not 'to evaluate whether its objects – social conditions, practices, forms of knowledge, power, and discourse – are good or bad, valued highly or demeaned, but to bring into relief the very framework of evaluation itself' (Butler 2002:4), that is, the entire worldview created by these truth-claims. What do these

truth-claims show? What do they mask? And why? Which power-relations are at work here?

Critique thus consists of three tasks. First, to identify the false assumptions and truth-claims of orthodox discourse, revealed particularly where this stands at odds with observations of social reality. Second, to trace the historical emergence and fundamental basis of these false assumptions and truth-claims, and in doing so uncover the social processes they conceal. And third, to present an alternative perspective which brings to light these hidden processes and their social power-relations, in which the role of orthodox discourse as a mask for these power-relations is laid bare. With this in mind, let us now flesh out our task in more detail, starting with the definition of some key concepts.

1.2. Concepts

We conceive of the global political economy as the broad amalgamation of global political-economic processes centred on an expanding world or global economy, and their interrelationship with local social structures and processes. From this perspective, the global political economy originated in the expansion of world trade and the emergence of the nation-state in Europe from the 15th and 16th centuries, and has determined the transformation of social institutions and structures with increasing pace, particularly after the Industrial Revolution in England. We explain the historical aspect of this definition more thoroughly in chapter five section three.

This must be separated from globalization, which we understand as the contemporary movement of this much wider trend in world history. Globalization has been underpinned by a particular orthodoxy, which in chapter two we label 'globalization discourse'. This discourse explains these contemporary processes from a particular perspective, in terms of particular assumptions and truth-claims. We identify this discourse and its emergence in chapter two section one, and return to a deeper study of this period in chapter nine.

The concept of social exclusion emerged first in France in the mid-1970s to refer to social groups outside the protection of the welfare state (Saith 2001:3). In the early 1990s it was applied to Western Europe in national and comparative case studies, and defined 'in relation to the social rights of citizens...to a certain basic standard of living and to participation in the major social and occupational

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opportunities of...society' (Gore *et al.* 1995:2, quoted by Saith 2001:4). At this stage the discourse became established within the European Union (EU) and its member-states through institutions such as the Observatory on National Policies to Combat Social Exclusion, established by the European Commission in 1990 (Atkinson & Davoudi 2000), and the UK's Social Exclusion Task Force, set up in 1997 (Batty 2002). During the mid-1990s the concept was also adopted within particular international development institutions, such as the International Labour Organization (ILO), United Nations Development Programme (UNDP) and World Health Organization (WHO). This was most prominent in the work of the International Institute of Labour Studies (IILS), a department of the ILO, in preparation for the 1995 World Social Summit in Copenhagen (Clert 1999:sec.I), leading to national case studies of India, Peru, Tunisia and Venezuela (Saith 2001:8-9). All subsequent studies have been of national or regional scope, and as such this work will be the first to attempt the study of social exclusion on a global scale and in relationship to globalization.

Zeljka Sporer suggests the following definition of social exclusion as adopted in such policy analysis: the '[u]se of the term...indicates that some individuals, groups, communities or geographical areas are cut off *from* participation or full involvement in social institutions and services and from...broader society' (Sporer 2003:7, emphasis altered). This has been linked to a lack of welfare and employment rights, the reduction of long-term secure employment and the rise of temporary labour, long-term unemployment, the lack of educational opportunity, gender, and the breakdown of social ties and disaffection, among other factors (Kabeer 2005; Saith 2001:6). Exclusion is always exclusion *from* something, and in this way social exclusion has come to be defined as exclusion *from* full participation in society. As explained below, this definition is problematic.

Why choose this concept in the study of social exclusion in the global political economy? If we are interested in the negative aspects of global political transformations, then many studies exist regarding poverty and inequality (Held & Kaya, eds. 2007; Kaplinsky 2005), human security (Thomas 2000), development (McMichael 2004) and vulnerability (Cornia, Jolly, *et al* 1987), for example. What makes a study focusing on social exclusion any different? The advantage of this concept is twofold. First, it is broad enough to include a wide range of factors which are each in their own way forms of social exclusion. Thus, poverty and inequality, insecurity, underdevelopment and vulnerability can all be conceived as exclusion from full participation in society. Second, the concept of social

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exclusion is an active concept. As Carine Clert argues, '[w]hereas concepts such as "poverty", "marginality", or "vulnerability" suggest neutral states, exclusion evokes action' (1999:184). Rather than the passive notion that a group or individual *is* poor or vulnerable, exclusion implies that the group or individual *has been* excluded, by another group or individual, through social structures and institutions. In contrast to other, similar concepts, then, social exclusion does not simply exist but has rather been actively produced. This work is a study of this active production of social exclusion within the global political economy.

1.3. Overview

To identify our problem we begin in chapter two with an analysis of how social exclusion is conceived in the contemporary global political economy. We identify the orthodoxy of globalization discourse and draw out its conception of social exclusion as exclusion *from* globalization; in other words that globalization is a wholly inclusive process which will transform the lives of the world's poor and disadvantaged and offer opportunities for all within a newly emerging global economy, as voiced most powerfully by institutions of global governance, particularly the International Monetary Fund (IMF), World Bank and World Trade Organization (WTO). We then compare this with a brief overview of patterns of social exclusion discussed in critical literature, particularly as revealed by resistance. This highlights the production and existence of social exclusion *within* the global political economy: the perpetuation of poverty, social polarisation, reduced labour and citizenship rights, reduced welfare provision, changing gender roles, all forming elements of an interconnected global system. Thus we uncover the discrepancy at the heart of the contemporary global political economy, between orthodox discourse taken at face value and the actuality of social exclusion.

To make this as clear as possible, picture a book sitting flat on a clear desk. Imagine now the desk as the expanse of the globe, and the book the spread and extension of globalization. According to globalization discourse, social exclusion exists only on the parts of the desk the book does not cover. Those parts of the desk covered by the book are included; the rest of the desk is not. Here exclusion is exclusion *from* globalization. However, if we turn the book over and look more closely, we see many dividing lines of inclusion and exclusion across the cover,

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and many other dividing lines extending out from the book across the desk as though veins stemming out across an iris, which superimpose themselves upon and transform other, former patterns of social exclusion. Here, in contrast, we witness exclusion *within* the global political economy, as a result of what is often labelled as globalization. The remainder of this work is an attempt to understand and overcome this discrepancy.

Chapter three reveals the fundamental nature of this discrepancy. We consider Marx's critique of 19th century capitalist society, and of English classical political economy, the orthodoxy of his day, as the science of its inner workings. Marx argues this discrepancy exists because the assumptions and truth-claims of this discourse make the economic sphere of the market appear 'natural' to human social relations. In other words, remove all political, social, technical, geographical and other impediments to human freedom, and the market will emerge and develop of its own accord. And in relation to this, the idea of a 'natural' market suggests also natural and beneficent patterns and structures of market society, posited as the only form of social inclusion. Exclusion is thus conceived of as being on the outside of the market. As a result, both the historical construction of the market and its political governance are taken out of view, in fact obscured, as possible factors in the production of social exclusion within the global political economy. All subsequent orthodox political-economic discourses founded upon classical political economy share the same false assumptions and truth-claims, and as such, all share this discrepancy. How do we move beyond this failing, and bring what was formerly obscured into view?

In chapter four we begin to establish Marx's historical materialism as a mode of inquiry through which we can bring to light the production of exclusion *within* and *as a product of* social structures and institutions. This perspective delves underneath society's common sense assumptions and truth-claims and instead rests upon an analysis of historically specific social formations through an exploration of the dynamic, or mode of production, at the heart of social relations. Within the social formation the mode of production drives historical change and determines the fundamental nature of its social structures, and thus the fundamental patterns of social exclusion. In addition a framework for the study of social exclusion within the social formation is also established, based upon Foucault's notion of power. Our interest lies not in social exclusion itself, but the mechanisms of exclusion which produce and perpetuate its existence.

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These are divided according to the productive forces: land, labour and capital; and superstructural factors: rights, gender and truth.

Chapter five applies this framework to three historical social formations: feudal Europe, classical Islam, and T'ang China. These show the viability of this framework for the historical study of social exclusion. In addition, the historical disjuncture of the capitalist mode of production is laid bare: the forms of social organisation these cases exhibit are so diverse that the idea of a naturally occurring market, and alongside this natural and beneficent patterns and structures of market society, must be considered false.

With our method firmly established we then apply our framework to the global political economy. We begin in chapter six with an examination of the capitalist mode of production as its essential basis, which brings the economic sphere of the market to light in the production of social exclusion. Here we employ Stephen Gill, Antonio Gramsci and David Harvey to build upon Marx towards the study of the global political economy in terms of social exclusion. We argue the fundamental role of the market in the production of social exclusion is revealed through the study of its historical construction and political governance.

Following this we explore three further historical periods. Chapter seven looks at the periods of agrarian capitalism and the Industrial Revolution in England, the emergence of free trade orthodoxy through the repeal of the Corn Laws, and their influence on the transformation of European industry and world trade. Chapter eight considers the post-1945 'Golden Age' of capitalism, discussing the transformation of social exclusion according to the global spread and deepening of capitalist social relations in terms of Fordism, Keynesianism, the Bretton Woods system and struggles for national independence and development. Chapter nine examines the post-1970s era of globalization, particularly the roles of neoliberalism, global finance and global governance in the transformation of social exclusion. These historical periods reveal the role of the market, in its historical construction and political governance, as the central determinant of patterns of social exclusion on a global scale. They show how social exclusion must be considered a fundamental component of a capitalist global political economy, and as such stand as a direct challenge to orthodox discourses which attempt to take this production of social exclusion out of view.

2. Globalization and social exclusion

Globalization has two faces.

Philip McMichael (2004:194)

The first task of critique is to identify the assumptions and truth-claims of orthodoxy and compare these with observations of social reality. In this chapter we do so by investing orthodox conceptions of social exclusion within the contemporary global political economy. We start here not only because it is the most obvious and crucial place to begin, but also because the orthodox political-economic discourse of this period which shapes the language and conceptions of governments, businesses, academia and the media – the discourse of globalization, or ‘globalization discourse’ – fundamentally misrepresents the production and reproduction of social exclusion within the global political economy. It provides a paradigmatic example of the problem of orthodoxy we investigate further in the following chapter.

In the first section we identify what we mean by ‘globalization discourse.’ We are interested in the underlying political-economic meanings when globalization is the key theme of a speech by UK Prime Minister Gordon Brown in Bangalore, discussed below, and when then-US President-elect Barack Obama, in announcing his new National Security Team, describes the new ‘global challenges’ faced by the US in the 21st century (Washington Post 2008). We are interested too in how corporations conceive of the term, directing firms such as Nike and Gap to develop global networks of raw material acquisition, production and distribution (McMichael 2004:xxx-xxxi); in how globalization is discussed across newspapers and television networks daily, such as in *The Sunday Times* in a discussion of low-cost online labour processes (Bingham & Dunn 2009); and in how it has become a commonplace term in academia, employed across multiple disciplines with very little critical reflection. We find that the conceptions which underpin this commonplace, everyday use of the terms ‘global’ and ‘globalization’ consist of a definition of globalization as, first, the increasing interconnectedness in global economic and political relations; second, the natural product of society which will continue to increase as barriers to the free operation of the market are reduced; and third, a sphere of opportunity for all.

Section two looks at how globalization discourse defines social exclusion. This is explored through a brief analysis of the discourse of institutions of global

governance on the issue of global poverty. Here we find social exclusion according to globalization discourse defined as exclusion *from* full participation in the global economy and the opportunities opened up by globalization.

In section three we compare this definition of social exclusion with a brief overview of patterns of social exclusion discussed in the critical literature, particularly as they are revealed by resistance. After a brief discussion of Foucault's concept of resistance we examine the global trend towards 'limited democracy', observed by Robert Cox among others, which has led to the widespread decline of citizenship and welfare rights and the rise of gender inequality among various social groups as a direct consequence of processes of globalization. From this analysis we find that globalization discourse does not take into account the existence of social exclusion *within* and *as a product of* globalization itself.

From this we conclude in section four that there exists a discrepancy between globalization discourse taken at face value and the actuality of social exclusion in the contemporary global political economy, through which globalization discourse appears to obscure the production of social exclusion. Understanding and overcoming this discrepancy forms the basis of the rest of our work.

2.1. Globalization discourse

Globalization has been a contested term since its emergence in academic terminology in the 1970s (Fiss & Hirsch 2005:32-3; Scholte 2005:50-2). Its use as a description and explanation of global economic and political transformations exploded after the end of the Cold War, peaking around the turn of the new century, leading to Giddens' observation that '[o]nly a few years ago the word was hardly used. Now one comes across it everywhere. I doubt if there is a single country in the world where globalisation isn't being extensively discussed...Something very new is happening in the world' (Hutton & Giddens 2000:1).

Exactly what this 'something' is, however, has been harder to pin down than the mere observation of change, which has led to the emergence of a wide number of academic debates during this period, traced in particular by Held and McGrew (2002; 2007a; Held, McGrew *et al.* 1999; McGrew 1998). Their analysis has developed towards the dichotomy of *Globalization / Anti-Globalization*, the

title of their recent book. In essence this is between, on the one hand, ‘globalists’ who argue for its existence as a new phenomenon, for example Scholte’s ‘deterritorialisation’ argument (2005); and, on the other, ‘sceptics’ who consider that rather than something new, globalization is the continuation and extension of existing processes such as ‘internationalization’ (Hirst & Thompson 1999). For those who argued for its existence as a new phenomenon, the loose consensus that was established in this period was of globalization as a process of increasing social interconnectedness, summed up by Held and McGrew: ‘[g]lobalization, simply put, denotes the expanding scale, growing magnitude, speeding up and deepening impact of transcontinental flows and patterns of social interaction. It refers to a shift or transformation in the scale of human organization that links distant communities and expands the reach of power relations across the world’s regions and continents’ (2002:1). Or, put even more simply by Giddens, the ‘intensification of worldwide social relations’ (1990:64).

More recently Held and McGrew have turned to defending the use of globalization as a concept within the social sciences. ‘Epitaphs for globalization appear with increasing frequency’, they observe (2007b:1), citing Ferguson (2005) and Rosenberg (2005). Issues such as 9/11 and the global war on terror, the return of US military hegemony, geopolitics, violence, nationalism, protectionism and imperialism to international relations, along with the concept’s frailties as drawn out particularly by Justin Rosenberg (2000), have to many signalled the end of globalization. However, they argue, ‘[t]hese post-mortems for globalization...are entirely premature... [The] case for continuing to take globalization seriously as both a description and an explanation of our current global predicament’ remains substantial (2007a:xi). To quote at length, this is because

it remains on almost all measures more intensive and extensive than a decade earlier...In terms of trade, 2004 witnessed the strongest growth in a decade and it reached historic levels of world GDP; foreign direct investment (FDI) flows also rebounded to levels of the early 1990s while flows to less-developed countries (LDCs) accelerated much faster than to OECD economies; in addition, financial flows increased and foreign exchange transactions reached a historic \$1.9t per day [in April 2007 this stood at \$3.21t per day (BIS 2007)] ...Measured in terms of migration, communication, or even the arms trade there is little evidence of a rush to autarky or de-globalization...

...[T]he empirical evidence suggests, to the contrary, that it has proven much more resilient or socially embedded than critics believed or many desired...

Underpinning the nature and pace of contemporary globalization are, moreover, a number of ‘deep drivers’ which are likely to be operative for the foreseeable future, irrespective of the exact institutional form globalization takes.

GLOBALIZATION AND SOCIAL EXCLUSION

Among these drivers are: the changing infrastructure of global communications linked to the IT revolution; the development of global markets in goods and services, connected to the worldwide distribution of information; the new global division of labour driven by multinational corporations; the end of the Cold War and the diffusion of democratic and consumer values across many of the world's regions...; and the growth of migration and the movement of peoples (Held & McGrew 2007b:3-4)

Thus, whereas globalization as a *concept* holds great scope for uncertainty and debate, globalization as a set of material trends and transformations across the globe has become an *actuality* which demands our attention.

This has been most clearly represented by the position of one particular conception of globalization as the dominant discourse and perspective within the global political economy. Here globalization has taken a set of 'familiar meanings...as set out typically in the mass media' (Held & McGrew 2002:ix). These meanings have 'become part of our everyday vocabulary...commonplace in business, in politics, in leading newspapers, and in academe' (Biersteker 2000:147), and especially within institutions of global governance such as the IMF, World Bank and WTO (Woods 2006:ch.1).

These 'familiar meanings' are identified collectively as 'economic globalization' by Joseph Stiglitz, former Chief Economist at the World Bank. This is '[t]he closer economic integration of the countries of the world through the increased flow of goods and services, capital, and...labor' (2006:4). How does this closer integration take place? Raphael Kaplinsky of the Institute of Development Studies offers a definition of this perspective which is instructive here: 'globalization is characterized by the systematic reduction in the barriers to the cross-border flow of factors (labour, capital), products, technology, knowledge, information, belief systems, ideas and values' (2005:9). He calls this a 'boundary definition', that is, one which focuses on the reduction of obstacles to the free mobility of all factors within the global economy. This process of barrier-reduction, for example in the removal of trade tariffs and capital controls, captures the conception of globalization as a non-political process, in particular as a natural product of a free economy and society. And, as Stiglitz comments further, this has the potential to be beneficial for all:

The great hope of globalization is that it will raise living standards throughout the world: give poor countries access to overseas markets so that they can sell their goods, allow in foreign investment that will make new products at cheaper prices, and open borders so that people can travel abroad to be educated, work, and send home earnings to help their families and fund new businesses. (2006:4)

This notion of economic globalization has become the generally accepted view of the global political economy. It consists of four elements. First, globalization is the increasing interconnectedness in global economic and political relations. Second, globalization is the natural product of society which will continue to increase as non-economic barriers to free mobility are reduced. Third, globalization is a sphere of opportunity and inclusion for all. And implicitly, fourth, under globalization the correct role of politics is the removal of all constraints to the free operation of the global economy.

Following Mark Rupert's suggestion that globalization 'cannot be mapped whole, but must be examined as it unfolds through the social struggles and contested representations of concretely situated social agents' (2000:1), let us explore the pervasiveness and entrenchment of this perspective within the power structures and institutions of the global political economy through three examples.

First, this notion of globalization has become a key term in the discourse of both national governments and institutions of global governance. For example, in a speech on 17 January 2007 at the Confederation of Indian Industry in Bangalore, Gordon Brown, then-Chancellor of the Exchequer, not only used the term 24 times, but more importantly used it to describe the contemporary 'world order':

After 1990 people wrote of a new world order. What they meant was a new world political order. What was not foreseen then, but is obvious now, was how the sheer scale, speed and scope of globalisation was going to transform the global economic order and change the political order too. I believe that it is only now, as we see the impact of globalisation, that we can also imagine the full shape of the emerging new world order - a new world economic political and social order driven forward not just by considerations of the balance of military strength and ordinary political power, but by the seismic shift in social and economic power brought forward by globalisation. (HM Treasury 2007)

He immediately turned to the question of inclusiveness:

And the real question all of us must answer is how we can ensure that the benefits of this new world order can be shared by not just some but all? ... the new world order will work for all people best by matching the necessary embrace of openness, free trade and flexibility with an offer to every individual of education - the essential empowerment that allows them to benefit from the next stage of globalisation ... globalisation requires at its heart what democracy provides best - openness to the flow of ideas, people capital and goods, the potential of every individual unleashed (HM Treasury 2007)

Another example is the centrality of this perspective within the language and discussions of bureaucracies behind the public face of government, which overflows into the corporate world. According to David Rothkopf, former senior Department of Commerce official in the Clinton administration:

“Globalization” is the word we came up with to describe the changing relationships between governments and big businesses...But what is going on today is a much broader, much more profound phenomenon...It is about things that impact some of the deepest, most ingrained aspects of society right down to the nature of the social contract (Quoted by T.L. Friedman 2006:48)

In turn, Jeffrey Sachs, who has advised a number of governments in Latin America, Eastern Europe, the former Soviet Union, Asia and Africa, writes in his popular book *The End of Poverty*, ‘the world is not a zero-sum struggle in which one country’s gain is another’s loss, but is rather a positive-sum opportunity in which improving technologies and skills can raise living standards around the world’ (2005:16).

As another example, Sachs’ analysis of the question of ‘why countries fail to achieve economic growth’ argues that barriers such as poverty, geography, governance failures, culture, geopolitics, the lack of innovation and demographic factors all impede ‘the tremendous dynamism of self-sustaining economic growth’, a natural product of the global economy.

In addition, this notion of globalization is firmly established as the underlying perspective on all global issues within key institutions of global governance. The May 1997 IMF *World Economic Outlook*, for example, focussed ‘on the opportunities arising from globalisation’ (1997:4). Chapter three is entitled ‘Meeting the Challenges of Globalization in the Advanced Economies’; chapter four, ‘Globalization and the Opportunities for Developing Countries’; and chapter five, ‘Integration of the Transition Countries into the Global Economy.’ Here globalization is defined as ‘the growing economic interdependence of countries worldwide through the increasing volume and variety of cross-border transactions in goods and services and of international capital flows, and also through the more rapid and widespread diffusion of technology’ (1997:45).

This perspective has continued in more recent editions of the same publication, which have investigated ‘globalization and external imbalances’ (2005), ‘globalization and inflation’ (2006), ‘globalization and inequality’ (2007), and ‘globalization, commodity prices, and developing countries’ (2008). As

though to summarise, in the first of a series of four briefs entitled *Assessing Globalization*, the World Bank argues that

The pace of international economic integration accelerated in the 1980s and 1990s, as governments everywhere reduced policy barriers that hampered international trade and investment. Opening to the outside world has been part of a more general shift towards greater reliance on markets and private enterprise... [As a result] the forces of globalization have been among those that have contributed to a huge improvement in human welfare, including raising countless millions out of poverty. Going forward, these forces have the potential to continue bringing great benefits to the poor (2008)

Second, this globalization discourse has become the central perspective of the world within the media, especially among key, figurehead journalists and commentators (Shah 1997). One particular example is London's *Financial Times*, which consistently takes economic globalization as the starting point in understanding global affairs. In an article from May 1997, for example, Martin Wolf, Chief Economics Commentator, states that '[g]lobalisation is the great economic event of our era. It defines what governments can – and should – do' (1997). His views have been spread further by his best-selling book *Why Globalization Works* (2004). Another *FT* article of May 1997 by Peter Martin stresses the moral case for globalization, in which he writes:

the accelerated integration of previously marginalised societies is the best thing that has happened in the lifetime of the post-war generation.

The process is a true collaboration across borders, across societies, across cultures – not the false collaboration of spurious North-South dialogues and bureaucratic elites. Not only has it undermined the evil empire of the Soviet Union, it is starting to achieve the same effects in China. But even without these directly political effects it would still have been an extraordinary positive process. It has produced an enormous degree of improvement in human happiness in those countries which have taken advantage of the opportunities it provides...

...The liberal market economy is by its very nature global. It is the summit of human endeavour (1997)

In the US, Thomas Friedman, three-times winner of the Pulitzer Prize as a columnist for the *New York Times*, has established a leading position in the media discussion on globalization. He wrote his 1999 book *The Lexus and the Olive Tree* to establish:

that globalization is not simply a trend or a fad but is, rather, an international system. It is the system that has now replaced the old Cold War system, and, like that Cold War system, globalization has its own rule and logic that today directly or indirectly influence the politics, environment, geopolitics and economics of virtually every country in the world. (2000:ix)

In his view this is a natural system which has taken root after the end of the Cold War when ‘the walls came tumbling down’: not just the Berlin Wall but also those which had until then constrained the freedom of peoples globally, releasing what he calls ‘the democratization of technology’, of ‘finance’, and of ‘information’ (2000:ch.4). He argues, ‘the Berlin Wall was not only blocking our way; it was blocking our sight – our ability to think about the world as a single market, a single ecosystem, and a single community’ (2006:54), symbolised by the spread of the internet, new challenges to the nation-state, and the transformation of the global corporation.

Furthermore, in his 2005 book *The World is Flat*, he argues that globalization, as the creation of a world without barriers, is levelling the playing field for all. ‘Individuals from every corner of the flat world are being empowered’ (2006:11), such that ‘we are now connecting all the knowledge centers on the planet together into a single global network, which – if politics and terrorism do not get in the way – could usher in an amazing era of prosperity, innovation, and collaboration, by companies, communities, and individuals’ (2006:8). And elsewhere:

We tend to think of global trade and economics as something driven by the IMF, the G-8, the World Bank, the WTO, and the trade treaties forged by trade ministers... [These] are going to become less important. In the future, globalization is going to be increasingly driven by the individuals who understand the flat world, adapt themselves quickly to its processes and technologies, and start to march forward – without any treaties or advice from the IMF. They will be every color of the rainbow and from every corner of the world. (2006:214)

Our third example is ‘anti-globalization’ as resistance to globalization (a very different meaning of anti-globalization than that attributed by Held and McGrew), which exists most prominently in the ‘anti-globalization movement’, also described as the ‘alternative globalization movement,’ the emergence of which has been charted by el-Ojeili and Hayden (2006:186-98). This is particularly instructive because, as Foucault points out, the existence of resistance reveals the existence of discourses which perpetuate particular power relations, which, in this instance, is the perpetuation of one conception of the globe over others (1998:pt.4, ch.2). The critical literature reveals the breadth of this resistance (Amoore 2005; Rupert 2000). We look at its nature below in examining what it has to say about the reality of social exclusion within the global political economy.

In short, this widely held notion of globalization, which, to borrow a phrase we will return to later, has been ‘bureaucratized and institutionalised’ throughout key social institutions within the global political economy (Gill 1995:412), is the discourse of the emergence of a single and universal ‘global economy’ (Dicken 1998; Ohmae 1995); or, as has been asserted by former UK Prime Minister Tony Blair among others, a single and universal ‘global civilization’ (Blair 2007; Perlmutter 1991); and is based upon a very particular economic understanding of the globe.

2.2. Social exclusion according to globalization discourse: poverty

As we have shown, globalization as the dominant perspective within the global political economy contains a particular notion of social inclusion. When globalization is perceived as ‘an economic phenomenon’, essentially the product of ‘an increasingly integrated global economy’ (McGrew 1998:303), it appears as the outcome of natural market forces, independent of political institutions and limited only by non-economic constraints. In this sense globalization appears as the inclusive realm of autonomous, individual self-interest and collective social forces, the sphere in which human freedom and wellbeing can be best realised (Wilkin 1997). Social inclusion from the perspective of globalization, then, is the freedom from all non-economic constraints, for example political oppression, poverty, or the lack of education, to become a productive unit in the global economy.

If inclusion is posited as involvement in globalization, then exclusion stands as its other. Social exclusion is presented as exclusion *from* globalization, in other words exclusion *from* full participation in the global economy, and the opportunity for human freedom, wellbeing, and the pursuit of self-interest which this brings. The solution to the problem of exclusion, then, is integration into the inclusive global economy, as Ray Bush shows with regards to global policies managing migration, labour, land rights, mining, and food security (2007).

To draw out the concept of social exclusion within globalization discourse, our example will be the concern of institutions of global governance with global poverty. We start with the World Bank’s 1990 World Development Report, which concerns ‘the poorest of the world’s poor’ (1990:1). Although it does not abound

with the terminology of globalization which became more common later in the decade, its global focus is clear.

The definition of 'the poor' in this document is universalised (1990:29-37). First, they are predominantly rural, 'located in regions where arable land is scarce, agricultural productivity is low, and drought, floods, and environmental degradation is common'. Second, they generally consist of large, extended families of mainly women and children. Third, the poor 'usually lack assets as well as income', suffering in particular from the lack of land ownership, education, poor health and the inability to gain credit. Fourth, because they are often paid in kind rather than in money, their involvement in other economic processes is limited. In addition, other Reports characterise the poor as threatened by their dependence upon fragile natural resources and social unrest (2003), as subject to the lack of access to civil and political rights (2006), and subject to unsound domestic economic institutions (2002). In each instance, then, their poverty is considered a result of either non-economic constraints upon the poor or market distortions which prevent their full involvement in the market, particularly as labour. In short, the Report argues,

When households have secure opportunities to use their labor to good purpose and household members are skilled, educated, and healthy, minimal standards of living are ensured and poverty is eliminated. When such opportunities are lacking and access to social services is limited, living standards are unacceptably low. (1990:38)

Thus, the prescription for the 'treatment' of this problem presented by this document is the promotion of 'economic opportunities for the poor', in particular the removal of barriers such as improper taxation the lack of access to land, credit, infrastructure, technology, welfare and basic healthcare (1990:chs.4-6).

According to the Report, the crucial component of this treatment is successful integration with the global economy (with the *a priori* assumption that all states are dependent upon the global economy through the necessity of structural adjustment during the 1980s; we return to this subject in chapter nine). Indonesia and Malaysia are cited as states which have successfully integrated with the global economy:

These countries needed to adjust because of the fall in the prices of oil and other commodities. Once it became clear that the shocks were not temporary, both countries acted decisively to stabilize their economies and establish a framework for economic restructuring. They adjusted their fiscal policies, depreciated their

currencies, liberalized their trade regimes where necessary, and deregulated their industries. (1990:107)

In both states, according to the Report, the 'outcome for the poor was favorable' (1990:109). In contrast, states which did not integrate successfully into the global economy because of problems of 'sharply reduced demand' through imprudent policies leading to indebtedness, such as Brazil, and severe external distortions to the domestic economy, especially in sub-Saharan Africa, have all failed to see the alleviation of poverty in this period (1990:109-14). Poverty and its absence thus appear to exist in direct correlation to the success of integration with the global economy.

More recently we can turn to the Doha Declaration of the WTO, adopted on 14 November 2001, which began the present Doha Round of trade negotiations. For a brief survey, we see initially in article 2 that, in terms of trade, integration with the global economy is central to 'opportunities and welfare gains' for the global poor:

International trade can play a major role in the promotion of economic development and the alleviation of poverty. We recognize the need for all our peoples to benefit from the increased opportunities and welfare gains that the multilateral trading system generates...we shall continue to make positive efforts designed to ensure that developing countries, and especially the least-developed among them, secure a share in the growth of world trade commensurate with the needs of their economic development. (WTO 2001)

To turn this on its head, the Declaration asserts that poverty exists because 'developing countries' do not sufficiently 'share in the growth of world trade.' The implication is that the lack of integration with the global economy denies these 'opportunities and welfare gains' for the global poor: it means their exclusion. Thus, integration with the global economy in terms of trade is set out as the solution to the problem of poverty.

For example, in articles 13 and 14 concerning agriculture, as the WTO website explains, the purpose of reform 'is to correct and prevent restrictions and distortions in world agricultural markets' (WTO 2008). In turn, article 16 on 'market access for non-agricultural products' states that the aim is 'to reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries' (2001). Last, with regard to what the Declaration terms the 'least-developed countries', the website's

explanation of articles 42 and 43 reads: 'WTO member governments commit themselves to the objective of duty-free, quota-free market access for [the least-developed countries'] products and to consider additional measures to improve market access for these exports' (2008).

In short, globalization discourse rests on a particular dichotomy between social inclusion and exclusion, between those on the inside and the outside of globalization and the global economy. Although we have reached this definition separately from the social exclusion literature discussed in our introduction, it is in essence simply the extension of that literature to a new global scale. Thus, a definition such as that of Hilary Silver, of social exclusion as 'a multidimensional process of progressive social rupture, detaching groups and individuals from social relations and institutions and preventing them *from* full participation in the normal, normatively prescribed activities of the society in which they live' (2007:15, emphasis added), is equally applicable to the global context within globalization discourse. And as such, the solution to the question of social exclusion is the extension of the global economy through the removal of all non-economic barriers and distortions, in other words the further extension of globalization.

2.3. Actually existing patterns of social exclusion

Our interest now turns to whether this dichotomy produced by globalization discourse fits actually existing patterns of social inclusion and exclusion among social groups within the global political economy. We investigate this by locating sites of resistance as discussed in the critical literature concerning the global political economy, which reveal the existence of discourses through which power relations operate. This is possible because, on the one hand, discourses are directly produced by particular arrangements of power (O'Farrell 2005:66). Beneath discourse, then, lies the reality of material social forces and social struggle among social groups and classes. And on the other, according to Foucault, '[w]here there is power, there is resistance' (1998:95). Discourse, power and resistance are therefore intimately related. They reveal the existence of one another. In particular, resistance to globalization discourse reveals the perception of this discourse not as a universally valid explanation of global trends, but as the operation and imposition of social power by one particular configuration of social

groups and classes over all others. The analysis here will be picked up again in much greater depth in chapter nine section four.

Before we begin, let us situate this discussion within a trend observed in the contemporary global political economy. This is the shift towards 'limited democracy' observed, among others, by Philip Cerny (1999), Robert Cox (1997), and Stephen Gill (1992). According to Cox, 'globalization has made competitiveness in world markets the primary goal and criterion of state policies' (1997:50). In this sense:

A consequence of economic globalization, which diminishes the control governments have over national economies, has been to transform politics at the national level into *management*... Once the logic of the global economy has been made into the unchangeable framework of state policy, the role of government is reduced to managing things as well as possible within that framework. (1997:63, emphasis retained)

The 'social consequences' of this transformation have been threefold, he argues:

social polarization in advanced capitalist countries undoing the work of social democracy and the welfare state, with higher unemployment and cuts in social expenditures;...[the] even greater polarization and unemployment in countries that abandoned 'real socialism', accompanied by ineffective economic management and a rapid growth of organized crime; [and the] imposition of austerity ('structural adjustment') on poor countries by world-economy authorities, the burden of which is disproportionately borne by the poorest people and especially by women. (1997:50)

In each case, particular social groups appear to have taken on an inordinate proportion of the burden of adjustment towards a global economy, transforming patterns of social exclusion. With this contention as our starting point, we now contrast the view of globalization discourse with a brief look at three interrelated global patterns of social exclusion which have been explored within this literature: citizenship, welfare and gender.

First, according once again to Cox, the result of these consequences has been exclusion according to the decline of citizenship, defined as the level of control and influence people have over their lives through democratic practices. In this sense, he argues, citizenship rights have diminished with the expansion and deepening of the global economy from the 1970s onwards, such that, in adhering to the necessities of the global economy, '[d]emocratic practices apply to those decisions that seem to have least importance to people, while those that most

affect their daily lives are in the untouchable domain of the economy, the domain of inevitability' (1997:64). As Gill reminds us with his concept of the 'new constitutionalism', this has been an essential prerequisite of the expansion of the global economy, preventing any political reversal of this process (1992; 1995). Human rights have also developed according to this rationale (Kirkup & Evans 2009). This impact upon citizenship has been resisted in a variety of ways, observes Cox (1997:63-6). He cites, for example, resistance through 'extensive non-party mobilization' to the imposition of NAFTA and the erosion of Canadian public health care, the Zapatista movement in Mexico, the 1995 strikes in Paris and across France 'against *mondialization*, the French equivalent for globalization', along with the 'resurgence of right-wing extremism' in Europe during the 1990s. In turn, Somalia and other parts of Africa have seen whole populations, particularly women, 'turning their backs on states and international institutions which appear to them as enemies'. In Cox's analysis, then, the future of substantive and inclusive citizenship rests upon resistance to the expansion and deepening of globalization and the global economy in its current form.

Second, welfare rights have been progressively undermined within the contemporary global political economy. Here Mark Duffield suggests a distinction between 'insured and non-insured life', in other words between populations protected by welfare provisions and social insurance and those unprotected and vulnerable (2007:17-8). Although at first glance this dividing line within the global political economy may appear to coincide with the conception of globalization discourse identified above, this is not the case. As argued elsewhere (Kirkup & Evans 2009), the post-1945 welfare state produced the widespread appearance of economic and social rights for populations within the non-communist world. Since the 1970s, the trend within the global political economy, however, has been the reduction of welfare and social insurance guarantees by the state. As Colin Leys points out in the case of the UK, for example:

In 1975 some 20 per cent of GDP was produced in the public sector. By 2000 the state had sold off virtually all its infrastructural and service operations, from the telephones to the railways. Those that remained, from the Post Office and the BBC to social services, had been internally reorganised as 'quasi-markets'. In 1975 the trade unions still enjoyed the legal immunities originally established in the Trade Disputes Act of 1906. By 2000 these were history, replaced by what Tony Blair approvingly called "the most restrictive trade union laws in the western world." (2003:59)

In turn, similar trends have meant that 45.7m people in the United States, over 15% of the population, went without health insurance at some point during 2007 (US Census Bureau 2008:19). Inclusive benefits which have formerly existed according to welfare appear to be being eroded within the global political economy.

This trend has met substantial resistance, visible in protests against state implementation of IMF-led structural adjustment from the 1980s onwards (Falk 2005:133-4). According to McMichael, for example:

In Mexico, as part of the IMF loan rescheduling conditions in 1986, food subsidies for basic foods such as tortillas, bread, beans, and rehydrated milk were eliminated. Malnourishment grew. Minimum wages fell 50 percent between 1983 and 1989, and purchasing power fell to two-thirds of the 1970 level. The number of Mexicans in poverty rose from 32.1 to 41.3 million, matching the absolute increase in population size during 1981-1987...17 million lived in extreme poverty. (2004:135)

Because of such outcomes, 146 riots occurred in 39 debtor states between 1976 and 1992. Walton and Seddon argue that their common thread were 'grievances over state policies of economic liberalization implemented in response to the debt crisis and market reforms' (1994:39). They emerged wherever structural adjustment had precipitated overwhelming and acute social change among people made dependent upon the market for material reproduction by the erosion of social protections (1994:42-54). Richard Peet cites the following example from February-March 1989:

Protests in Venezuela centred on an increase in petroleum prices resulting from the removal of government subsidies...As the *New York Times* reported [on 1 March], 'Venezuela's president said dozens of people had been killed and hundreds wounded in rioting today...over economic measures imposed by the Government to satisfy its creditors.' (2003:89)

Thus, the extension and deepening of the global economy appears to have led to the undermining of welfare protections and the decline of 'insured life'.

Third, this transformation within the contemporary global political economy has led to substantial resistance among women, as reported by Peterson and Runyan. The consistent theme of these resistance movements, they observe, is the claim that 'women are at a disadvantage owing to the gendered division of labor within the home and family (the unpaid labor force), the gendered division of labor in the workplace (the paid labor force), and the gendered international

division of labor (the global economy)' (2005:235). Social movements have thus 'struggled against direct and indirect barriers to their self-development and their full social, political, and economic participation' in the societies in which they live, particularly against gender equality 'despite formal equal rights' (2005:227).

Resistance has emerged against the invisibility of women's unpaid reproductive and domestic labour in economic analyses and discourse. Thus:

feminists have recently challenged national and international (UN, World Bank, IMF) accounting methods that keep women's domestic work invisible by according it no value in estimating national productivity. Women's groups in Canada, Trinidad, Australia, New Zealand, Norway and India are promoting national studies to assess women's economic contributions to national income. (2005:236-7)

In addition, a host of groups have emerged to resist 'economic development policies that marginalize and exploit women workers'. For example, the Isis-Women's International Cross-Cultural Exchange (Isis-WICCE), established in 1974, which has been based in Switzerland, Uganda, Italy, the Philippines and Chile, has connected more than 10,000 women's groups in 130 countries, with this goal as a direct result of their work in human rights (2005:238).

It is impossible to sum up the vast literature on this hidden face of the global political economy in such a short analysis. Issues of food security, environmental protection and trade and financial rules among many others deserve equal scrutiny. A comment by Stephen Gill on gender is perhaps appropriate:

a disproportionate burden of (structural) adjustment to the harsher more competitive circumstances over the past twenty years has fallen on the shoulders of the less well-paid, on women and children, and the weaker members of society, the old and the disabled. In an era of fiscal stringency, in many states social welfare, health, and educational provisions have been reduced... This has generated a crisis of social reproduction as burdens of adjustment are displaced into families and communities that are already under pressure to simply survive (2000:134-5; see Bakker 1994)

2.4. The discrepancy

We have thus established that, in terms of social exclusion, a discrepancy exists between the discourse of globalization and the actuality of the contemporary global political economy. Globalization discourse takes the global economy and its notion of inclusion at face value, suggesting that it is wholly inclusive. Social exclusion is defined as exclusion *from* full participation.

However, we have revealed the existence of a number of dividing lines between social inclusion and exclusion *within* the global political economy, which appear to be *a product of* the global structures and processes commonly termed globalization. The production of patterns of social exclusion is thus obscured within the contemporary global political economy by globalization discourse. Social exclusion – the ‘hidden face’ of globalization – is masked by an orthodoxy which suggests it does not exist.

The result of this obfuscation has potentially serious consequences. One important concern is that political institutions locked within this globalization discourse are in danger of perpetuating its false dichotomy of inclusion and exclusion in policy and decision-making. This might not only perpetuate the reality of social exclusion, but in fact play an active role in producing exclusion on an ever-larger scale. To take the example of poverty discussed in this chapter, the global economy appears to actively produce impoverishment according to the reduction in welfare and citizenship rights. In this sense, the expansion of the global economy is not a solution for poverty, but rather results in the transformation and extension of poverty as a form of exclusion. If institutions of global governance such as the World Bank are serious about ‘working for a world free of poverty’, as its website suggests, then their interest in securing this aim through the expansion of the global economy may well contribute to the entrenchment of poverty as a form of social exclusion. And this will remain the case as long as social exclusion remains hidden within its worldview.

The method of critique suggests the way in which such a discrepancy must be countered is by tracing the fundamental basis and historical emergence of this discrepancy, and so to this second task we now turn.

3. Marx's Kritik

His method of inquiry starts with everything that exists, everything that is going on. You start with reality as you experience it, as you see it, as you feel it...You start with descriptions of the reality, by the political economists, by novelists, by everybody...

And then you search in that material for some simple concepts. This is...the method of dissent from the reality which you find, going down, looking for some foundational, fundamental concepts.

And once you've uncovered and discovered those fundamental concepts, you then come back to the surface, and you look at what's going on around on the surface and you see, behind the world of appearance you started out with, there is another way to interpret what's going on...

Marx is pioneering this method in social science: start with the surface appearance, find the deep concepts.

David Harvey (2007, 1st lecture)

We have completed the first task of critique as outlined in the introduction and found that the assumptions and truth-claims of globalization discourse appear not to match up to the patterns of social exclusion present in the global political economy. As such there exists a discrepancy which cannot be overcome within globalization discourse. We reach an impasse. What are the fundamental causes of this discrepancy? Does the discrepancy exist solely in the period of globalization, or do its roots run deeper? How do we move beyond its limitations? In this chapter we make the case that the work of Karl Marx, when understood as critique, has the potential to answer these questions. Our argument is not exhaustive; rather, our intention is to bring to light the fundamental basis of our discrepancy so that it can be overcome.

Section one begins by situating Marx's historical materialism as the critique of 19th century capitalist society. We then move on to his transition to the critique of English classical political economy, the orthodoxy of his day, as the science of its inner workings, particularly in the work of Adam Smith and David Ricardo. We find that this orthodoxy was founded upon the very same discrepancy to the one we face with globalization discourse, and show how Marx's critique was an attempt to understand and overcome the discrepancy he himself faced.

In section two we examine Marx's critique of this discrepancy. Marx argues it exists because the market appears 'natural' from the perspective of classical political economy. In other words, market relations are made to appear as eternal relations of nature, the natural and fundamental social relation, such that the market emerges wherever political, social, technical, geographical and other impediments to human freedom are removed. Because the market is simply

assumed to naturally exist and be beneficent to all participants, it is taken out of view as a possible factor in the production of social exclusion. Instead, the idea of a 'natural' market suggests also 'natural' patterns and structures of market society.

In sections three and four we consider the two ways in which Marx argues this obfuscation takes place: first, that the conception of the market as natural obscures its historical construction, and thus the historical construction of social exclusion; and second, that this conception also obscures political governance within the market, and thereby its relationship to the production of social exclusion.

Section five compares classical political economy to globalization discourse, and suggests that Marx's critique of classical political economy can be applied directly to all subsequent orthodox political-economic discourses because they share the same fundamental assumptions and truth-claims. This sets the scene for our employment of Marx's historical materialism to unearth the production of social exclusion in the following chapters.

3.1. Towards the Kritik of political economy

According to Robert Tucker, Marx's life's work, much of it in partnership with Frederick Engels, is best understood best as a *Kritik* – 'criticism' or 'critique' – of the newly emerging bourgeois, or capitalist, form of society (1978:xxvii). Or as Marx puts it in a letter to Arnold Ruge dated September 1843, a '*ruthless criticism* of all that exists' (1843, emphasis retained). Tucker suggests Marx was 'a writer who spent the greater part of his life writing one important book under a number of different titles' (1978:xxviii). In this sense, Marx's *Kritik* was the attempt to explain four things. First, the emergence of bourgeois or capitalist society, which was transforming the social, physical and technological landscape of Europe and expanding the world market on an unprecedented scale. Second, the new economic sphere of social life at its heart called 'civil society', in which people were able to pursue self-interest as though free from former relations of dependence, either to the land or to a superior of some sort. Third, the rise to power of a new bourgeois or capitalist class, whose survival and material reproduction were bound up with the rule of the market in society and its global extension, over and above other interests. And last, to show that the vast

transformations he was witnessing, particularly the violent dissolution of prior landed forms of society and the construction of a vast new impoverished class of wage labour tied to the bourgeoisie for their very existence, were not simply natural results of historical change but rather historically specific and deeply intertwined with these other factors.

To this end, the first element of his writings to emerge was the *Kritik* of bourgeois civilization as a whole, which, according to Derek Sayer, was established during the mid-1840s. In this period, he argues, Marx fleshed out a widespread 'historical sociology of bourgeois society' (1985:222, emphasis removed). In the preface to his *Economic and Philosophical Manuscripts* of 1844, for example, Marx writes of his intention to 'publish the critique of law, morals, politics, etc., in a series of separate, independent pamphlets and finally attempt, in a special work, to present them once again as a connected whole, to show the relationship between the parts and try to provide a critique' (1992:281). This wide-ranging viewpoint is fully present by 1848 in the *Manifesto of the Communist Party*:

The modern bourgeois society that has sprouted from the ruins of feudal society has... established new classes, new conditions of oppression, new forms of struggle in place of the old ones...It has pitilessly torn asunder the motley feudal ties that bound man to his "natural superiors", and has left remaining no other nexus between man and man than naked self-interest, than callous "cash payment"...It has resolved personal worth into exchange value, and in place of the numberless infeasible chartered freedoms, has set up that single, unconscionable freedom — Free Trade. In one word, for exploitation, veiled by religious and political illusions, it has substituted naked, shameless, direct, brutal exploitation. (Marx & Engels 1978:474-5)

Thus, according to Sayer, during this period Marx had 'produced the elements of an extremely wide-ranging critique of bourgeois civilisation as a whole', which became the 'framework' for his future work on political economy (1985:225). In particular, David McLellan suggests the materialist conception of history sketched in part one of *The German Ideology* in 1845, which has come to be known as historical materialism, formed 'the "guiding thread" for the rest of his studies' (1975:24).

Within this framework Marx devoted much of his remaining life to the *Kritik* of the discipline of political economy. Althusser comments that his aim was not 'to criticize or correct certain inaccuracies or points of detail in an existing discipline - nor even to fill in its gaps, its blanks, pursuing further an already largely initiated movement of exploration', but rather 'to question the very *object* of

Political Economy' (Althusser & Balibar 1970:158, emphasis retained). Marx's interest in political economy is in this sense not primarily an interest in the doctrine of political economy itself – though important in its own right, as his *Theories of Surplus Value* attests – but rather as the 'science' of the inner workings of the new 'economic space' of civil society (Althusser & Balibar 1970:165). In this sense, describing the course of his 'economic studies', he considers London in 1850, to which he had been exiled, as 'a convenient vantage point for the observation of bourgeois society' (1971:22). Elsewhere he describes political economy as the 'quintessence' of bourgeois society (quoted by D. Sayer 1985:224). In short, he devoted 'his life's work to exploring the anatomy of "civil society" in the form of a critique of political economy' (Meiksins Wood 1990).

But which vein of political economy did he identify as the bourgeois, orthodox conception? In his Postface to the 2nd German Edition of *Capital I*, written 1873, Marx charts the development of orthodoxy in political economy. In doing so he distinguishes between 'scientific' and 'vulgar' economists. According to Howard and King, the former 'correspond to classical political economy', which he elsewhere terms classical economy, 'a strand of thought originating in France with Boisguillebert and in Britain with Petty, and culminating in the work of Adam Smith and David Ricardo. The latter were seen by Marx as...mere apologists for capitalism' (1975:62). We see this, for example, in the layout of his notebooks published as *Theories of Surplus Value*, with its many chapters on Smith and Ricardo alongside sections on the 'vulgarisation' of their work by Malthus, McCulloch and others (1861).

In the Postface, Marx argues that German political economy was 'a foreign science' because of the late emergence of bourgeois society in Germany, where 'the living soil from which political economy springs' – that is, the dominance of the capitalist mode of production over prior, landed forms of society – 'was absent. It had to be imported from England and France as a ready-made article' (1990:95). And once bourgeois society had become established as dominant, the prejudice of capitalist interests in the great social struggle between capital and labour laid out in the *Manifesto* had made 'scientific' analysis impossible: '[i]n so far as political economy is bourgeois, i.e. in so far as it views the capitalist order as the absolute and ultimate form of social production, instead of as a historically transient stage of development, it can only remain a science while the class struggle remains latent or manifests itself only in isolated and sporadic phenomena' (1990:96).

In England, conversely, the discipline of 'classical political economy' had developed in the period before the social struggle had prevented a scientific approach, which Marx dates here as 1830 (1990:97). As Irving Zeitlin observes, '[i]n Marx's view, the high degree of objectivity of classical economics in England was limited to the period in which the conflict between workers and capitalists was as yet undeveloped. Ricardo was the last great representative of that tradition, for after him the class-struggle became more intense' (1967:22). From this time on, Marx writes,

the class struggle took on more and more explicit and threatening forms, both in practice and in theory. It sounded the knell of scientific bourgeois economics. It was thenceforth no longer a question of whether this or that theorem was true, but whether it was useful to capital or harmful, expedient or inexpedient, in accordance with police regulations or contrary to them. In place of disinterested inquirers there stepped hired prize-fighters; in place of genuine scientific research, the bad conscience and evil intent of apologetics. (1990:97)

Thus Marx was quick to dismiss the apologists and ideologues of vulgar economy, which 'does practically no more than translate the singular concepts of the capitalists, who are in the thrall of competition, into a seemingly more theoretical and generalised language, and attempt to substantiate the justice of those conceptions' (1959:231). In this sense he places Ricardo rather than any later theorist at the summit of 'research carried on for over a century and a half by classical political economy' before its simplified repetition as part of the class struggle between capital and labour (1971:52).

Understood as *Kritik*, then, Marx's interest in political economy was to question the basis of the orthodox, bourgeois conception of civil society. He sought to draw out its false assumptions and truth-claims, to turn this conception on its head, revealing that capitalism is not a 'general, eternal relation of nature' (Marx 1973:86), but rather a particular and historically specific form of class society, which exists to the benefit of some and at the expense of others. Bourgeois society, centred upon this new sphere of civil society, appeared at face value as the extension of a new era of human freedom and increasing living standards for all embodied in its relentless expansion as political, geographical and technological boundaries were removed. However its other hidden face consisted of social upheaval, mass impoverishment, and class inequality produced directly as a result. In other words, the orthodox account of classical political economy had masked a vast edifice of social exclusion. And if we compare this with our analysis of globalization discourse in the last chapter, we find that the

discrepancies are so alike that the global economy of today and Marx's civil society are in many ways interchangeable. Let us now turn to Marx's argument concerning the fundamental and historical basis of the discrepancy.

3.2. The so-called 'natural' market

Marx argues that the discrepancy he faced was caused by the way in which classical political economy declares that the market is natural to human society. In other words, that market relations within the economic sphere of civil society are made to appear as general and eternal relations of nature, the natural and primary social relation which exists in all times and places. And as such, the market emerges wherever political, social, technical, geographical and other impediments to its free operation are removed. This is perhaps the most deep-seated tenet of orthodox political economy, and as such, according to Althusser,

The fundamental criticism Marx makes of the whole of Classical Economics in texts from *The Poverty of Philosophy* to *Capital* is that it had an historical, eternal, fixed and abstract conception of the economic categories of capitalism. Marx says in so many words that these categories must be historicized to reveal their nature, their relativity and transivity. The Classical Economists, he says, have made the conditions of capitalist production the eternal conditions of all production, without seeing that these categories were historically determined, and hence historical and transitory. (Althusser & Balibar 1970:91-2)

In *The Wealth of Nations*, Adam Smith makes the fundamental assumption that human beings have a natural 'propensity to truck, barter and exchange one thing for another', a propensity 'common to all men, and to be found in no other race of animals' (1993:21). In other words, that human beings naturally and beneficently relate to one another in terms of market relations, in terms of barter and exchange, such that, first, the market relation is the natural and universal social relation which exists wherever impediments to human freedom are removed; and second, its free operation results in the common good. In consequence, Smith's view, according to Marx, is that 'each man is a merchant and society is a trading association' (1992:373, emphasis removed). Marx draws out this assumption at both of these levels.

In terms of the individual, Marx argues, this is revealed by Ricardo's employment of the 'Robinson Crusoe' figure, who by his very nature considers the world in terms of market relations. In Daniel Defoe's novel, Crusoe is presented

as a self-sufficient producer and consumer uninterested in society, politics, history, family, or any other non-economic aspect of life. He works, consumes and organises leisure according solely to his self-interest, all accounted for by ledger. He owns and controls all aspects of his natural environment (Grapard 1995; Mathias 2007). Ricardo takes this figure to be the basis of his political economy, as outlined by his discussion of primitive hunters and fishermen in his *On the Principles of Political Economy and Taxation* (1821:ch.1). He derives his argument from the contention that these 'economic' individuals, living in an 'economic' state of nature, are representative of human beings at all times and places. Thus, within the economic sphere of civil society, or economic state of nature, Marx argues in the *Grundrisse*,

Each of the subjects [appears as] an exchanger; i.e. each has the same social relation towards the other that the other has towards him. As subjects of exchange, their relation is...that of *equality* ...the commodities which they exchange are, as exchange values, equivalent...and finally the act of exchange itself [takes the form of] the mediation by which the subjects are posited as exchangers, equals, and their objects as equivalents, equals. (1973:241, emphasis retained)

Everyone appears an equal participant, equal in opportunity and freedom of action such that if one person benefited more from a particular exchange than another, 'this would happen not because of the nature of the social function in which they confront one another, for this is the same, in this they are equal; but only because of *natural* cleverness, persuasiveness etc., in short only the purely individual superiority of one individual over another. The difference would be one of *natural* origin' (1973:241, emphasis altered).

All differences in civil society thus appear to fall 'entirely outside economics,' and are 'posited as a natural content distinct from the economic' (1973:241). And as such, even though all individuals are in essence competing with one another in terms of self-interest, all participants appear to equally benefit from the naturally resulting common good:

the common interest which appears as the motive of the act as a whole is recognized as a fact by both sides; but, as such, it is not the motive, but rather proceeds, as it were, behind the back of these self-reflected particular interests, behind the back of one individual's interest in opposition to that of the other...the individual can at most have the consoling awareness that the satisfaction of his...individual interest is precisely the realization of...the social, general interest...With that, then, the complete freedom of the individual is posited: voluntary transaction; no force on either side...both know that the common interest exists only in the duality, many-sidedness, and autonomous development

of the exchanges between self-seeking interests. The general interest is precisely the generality of self-seeking interests. (Marx 1973:244-5)

Thus, from the perspective of classical political economy, individuals are assumed to relate to one another first and foremost in terms of exchange, in terms of the market relation.

In turn, this natural market relation appears to have led to the inexorable development of modern capitalist society as constraints and barriers to 'natural liberty' have been progressively removed. As Smith writes in his discussion on the Physiocrats,

every system which endeavours, either, by extraordinary encouragements, to draw towards a particular species of industry a greater share of the capital of society than what would naturally go for it; or, by extraordinary restraints, to force from a particular species of industry some share of the capital which would otherwise be employed in it; is in reality subversive of the great purpose which it means to promote. It retards, instead of accelerating, the progress of the society towards real wealth and greatness; and diminishes, instead of increasing, the real value of the annual produce of its land and labour.

All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest in his own way, and to bring both his industry and capital into competition with those of any other man, or order of men. (1993:391)

This 'obvious and simple system of natural liberty', this natural balance and equilibrium, is deeply ingrained within the thought of Smith and Ricardo. Here the economic sphere of civil society, of natural liberty, is conceived as the sphere of 'economic' individuals maximising self-interest, which will emerge of its own accord regardless of the historical context, and, once arisen, is self-perpetuating. On the one hand, Marx argues, even though Ricardo 'is at least aware' that the formation of modern society 'depends on definite historical pre-conditions' (1971:60), his assumption of natural liberty led directly to the later vulgarisations of 'modern economists who demonstrate the eternity and harmoniousness of the existing social relations' (1973:85), and 'who smudge over historical differences and see bourgeois relations in all forms of society' (1973:105), such that the market always appears ready to emerge once the constraints of other forms of society are removed, regardless of the historical or social context. And on the other, to use Karl Polanyi's term, Smith and Ricardo assume that this economic sphere of the market is 'self-regulating', such that it produces and reproduces its own existence through its inherent capacity to regulate itself and generate its own

equilibrium (Polanyi 1957:68). Marx expands upon this view further in his *Economic and Philosophical Manuscripts* of 1844. To Smith, he suggests, this is beneficent in the sense that the division of labour drives forward the common good of all:

Animals are unable to combine the different qualities of their species; they are incapable of contributing anything to the common good and the common comfort of their species. This is not the case with men, whose most disparate talents and modes of activity are of benefit to each other, because they can gather together their different products in a common reserve from which each can make his purchase. (1992:373, emphasis removed)

Smith's view, then, is that human society appears to naturally produce a complex society based upon market exchange in labour and commodities, and that this whole process is 'the Natural Progress of Opulence' (Smith 1993:bk.3 ch.1).

According to Marx, this crucial assumption, this truth-claim, underpins classical political economy and the capitalist worldview built upon it. The market, the economic sphere of civil society, is made to appear natural and beneficent, and as such the fundamental components of any 'market society' built upon it are made to appear natural, universal and inclusive also (Polanyi 1957). Questions regarding the basic building-blocks within capitalist society, such as private property, wage labour, the state, political equality and so on, are thus undermined. The only questions of consequence appear to be impediments to the continual growth of this natural economic sphere, which contains within it the promise of inclusion for all within the common good. And the result is that the market is taken out of view as a possible factor in the production of social exclusion.

We need not look very deeply to see that this is also the case with the globalization discourse of the last chapter. Globalization, or rather the global economy, conceived as the natural product of a free society and a sphere of opportunity and inclusion for all, is no more than the global expression of this notion of civil society identified by Marx. And as such, questions regarding its potential production of social exclusion stand obscured.

After drawing out this key assumption of classical political economy, Marx turns to its critique. He argues that it produces two false conceptions which obscure the production of social exclusion. First, the assumption of a natural market obscures its historical construction, and thus the historical construction of

social exclusion. Second, this assumption also obscures political governance within the market, and thereby its relationship to the production of social exclusion.

3.3. History

The first result, Marx argues, is that the idea of the natural market obscures the historical construction of the economic sphere of civil society, and thus obscures how social exclusion is produced in this process. This occurs because classical political economy presents the market 'as encased in eternal natural laws independent of history, at which opportunity bourgeois relations are then quietly smuggled in as the inviolable natural laws on which society in the abstract is founded' (1973:87, emphasis removed). Marx explains this by placing the Robinson Crusoe figure, the 'economic' or 'natural' individual, in historical context:

Ricardo's primitive fisherman and primitive hunter are from the outset owners of commodities who exchange their fish and game in proportion to the labour-time which is materialised in these exchange-values...he slips into the anachronism of allowing the primitive fisherman and hunter to calculate the value of their implements in accordance with the annuity tables used on the London Stock Exchange in 1817. (1971:60)

Marx argues this individual appears to embody the market relation as natural because he is an abstraction of the surface appearance of civil society 'as the collision of unfettered individuals who are determined by their own interests, ...as the absolute mode of existence of free individuality in the sphere of consumption and of exchange' (1973:649). But whereas Ricardo is suggesting the market is natural and universal to all human society, Marx argues that this market relation is entirely specific to the emergence of the economic sphere of civil society, which is neither general nor universal but instead has a very particular historical context. As he argues in the introduction to the *Grundrisse*:

In this society of free competition, the individual appears detached from the natural bonds etc. which in earlier historical periods make him the accessory of a definite and limited human conglomerate. Smith and Ricardo...stand with both feet on the shoulders of the eighteenth-century prophets, in whose imaginations this eighteenth-century individual – the product on the one side of the dissolution of the feudal forms of society, on the other side of the new forces of production developed since the sixteenth century – appears as an ideal, whose existence they

project into the past...[as] the Natural Individual appropriate to their notion of human nature, not arising historically, but posited by nature. This illusion has been common to each new epoch to this day. (1973:83)

And so, in *Capital I*, Marx moves this 'natural' individual into feudal Europe, to show how farcical it is to consider the free, independent, bourgeois individual as 'posited by nature': '[l]et us now transport ourselves from Robinson's island, bathed in light, to medieval Europe, shrouded in darkness. Here, instead of the independent man, we find everyone dependent – serfs and lords, vassals and suzerains, laymen and clerics. Personal dependence characterizes the social relations of material production' (1990:170).

The feudal relations highlighted here have nothing to do with the free individual in civil society. As we will see in chapter five, there was no such thing as an economic sphere in feudal Europe, and as such the idea of the natural economic individual, whose existence is independent of time and place, proves groundless. The market relation is no more natural than other social relation existing at any particular moment in history. None appear out of thin air, 'posited by nature'; rather, all social relations are historically constructed. As Marx explains in the following passages from *The Poverty of Philosophy*, the failure of classical political economy in terms of its view of history is that whereas '[e]conomists express the relations of bourgeois production, the division of labor, credit, money, etc., as fixed, immutable, eternal categories', 'they do not explain is how these relations themselves are produced, that is, the historical movement which gave them birth'. As such, they miss the obvious fact that 'these categories...are as little eternal as the relations they express. They are historical and transitory products' (quoted by Althusser & Balibar 1970:92).

The most important result of this ahistoricism is that in this account historical social change is made to appear linear and teleological. In other words, according to Meiksins Wood, as though the rule of the market is 'the natural and universal order of things, the destination of progress already present in all earlier stages of society' (1995:140). Following the work of Beate Jahn (2005:601-2), one example is John Stuart Mill's account of the development of civilisation from the stage of savagery through stages of slavery and despotism towards 'modern civilisation' in his *Considerations on Representative Government* (1862). All historical change appears simply 'as the negation of limits and barriers peculiar to the stages of production preceding capital' (Marx 1973:649), which suggests that once these limits and barriers are removed, and human freedom emerges, the 'natural'

market relation will come increasingly to the fore. History appears reduced to the inexorable growth of economic civil society, in which social exclusion can only be a product of the limits and aberrations to this process. The idea that the historical emergence of capitalist society itself establishes and transforms patterns of social exclusion stands obscured.

3.4. Politics

The second result is that the idea of the natural market obscures political governance within the economic sphere of civil society, and thus obscures how this produces social exclusion. According to Marx, this occurs because classical political economy creates a false dichotomy between the economic sphere of civil society and the political sphere of the state, what Meiksins Wood calls 'the separation of the economic and the political in capitalism' (1995:ch.1). Marx's argument, repeated throughout his writings, is that this conceptual partition obscures the essential function of political institutions and processes in producing and maintaining market relations within civil society. In this sense, '[h]is critique of political economy was...intended to reveal the political face of the economy which had been obscured by classical political economists' (1995:20). Let us first develop the critique in general, then move on to Marx's specific application.

From the perspective of classical political economy, and also of Hegel, according to Avineri,

civil society and state appear to be wholly distinct and differentiated...Civil society is totally emancipated from political limitations; private life, including economic activity, becomes completely independent of any considerations relevant to the commonwealth; and all restrictions on property and economic activity are abolished. Economic individualism and *laissez faire* express this dichotomy between civil society and state...of the division of life into a private and public sphere. (1968:20-1)

In this sense classical political economy has constructed a rigid dichotomy. On one side exists the economic sphere of civil society, which, in appearance, 'receives its purely economic form by discarding all its former political and social embellishments and associations' (Marx 1959:618). This is the sphere of the natural market, discussed above, within which everyone is 'posited as exchangers, equals', and which, as a whole, is self-perpetuating according to its own

equilibrium. And on the other stands the political sphere, in which 'the state exists *only* as a political state' (Marx 1992:188, emphasis retained), and which appears to uphold the universal and 'general' interest of all citizens as separate from their economic self-interest (Marx & Engels 1965:46).

The fundamental role of the political sphere according to this dichotomy concerns the management of the limits and impediments to the free operation of the economic sphere of civil society. The basic principle, as John Stuart Mill argues in *On Liberty*, is that as long as the state maintains the natural 'liberty' of each member of civil society, that is, the absolute sovereignty of the individual, their absolute freedom of action over matters which concern themselves, civil society will organise itself, producing and reproducing its own existence (1985:ch.1). This task consists of three roles, according to Smith:

first, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting...every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice; and, thirdly, the duty of erecting and maintaining certain publick works and... certain publick institutions (1993:392)

In other words, the first role of the political sphere is the protection of civil society from external threats to allow its free operation, in the sense that it is free to operate of its own accord independent from external interference. The second is the protection of civil society from the abuse of individual members through the establishment of 'an *exact* administration of justice'. Thus the only acceptable form of political interference in civil society, 'the only purpose for which power can be rightfully exercised over any member of a civilized community, against his will, is to prevent harm to others' (Mill 1985:68); in other words, is to protect the freedom of each member from being limited by the actions of others, as defined by the rule of law. This is also described as political equality, which we will come to shortly. And the third is to overcome social, environmental, geographical, technological, and other non-economic limits to the free operation of civil society.

Two conclusions thus present themselves. First, from this standpoint the political sphere appears wholly *negative*. It defines only what cannot be done; it manages solely the limits to the freedom of the individual and civil society as a whole; and as such it has no part to play in the construction of the actions and choices of the individual, or of the formation of civil society as a whole. Second, the political sphere appears to exist wholly on the *outside* of the economic

sphere. The two are relationship with one another, each is in fact dependent upon the existence of the other, but at their very base they stand separate in the sense that the political sphere has no part to play whatsoever within the autonomous sphere of natural liberty, within the freedom of action of the sovereign individual in civil society. And thus, civil society as a whole, produced by 'the collision of unfettered individuals who are determined by their own interests' also stands separate from the political sphere, which exists only to manage its limits and impediments, not to structure or form it from within. In sum, classical political economy contains no account of the role of the political sphere of the state in the production and reproduction of the economic sphere of civil society *from within*.

In contrast, Marx argues that political governance within civil society by its very nature defines and produces its particular structural form, and he explains this in terms of the way in which political equality produces economic inequality within civil society. Marx's critique of this 'equality' stems from his analysis of the French Revolution. For Marx this was the key moment in history which 'accomplished the separation of political life and civil society' (1992:146). The result was twofold, he argues in *On the Jewish Question*. On the one hand the Revolution 'utterly abolished the formal significance of social stratification in the political sphere' (Avineri 1968:21), and in its place established 'political emancipation': the legal basis of public equality with regards both to the state and to other members of civil society. Thus, political equality in his view produces the appearance of a free and equal civil society as outlined in section two above: a sphere of opportunity, a level playing field upon which all its members have an equal capacity to pursue their particular self-interest and wellbeing; and in doing so political equality works towards the universal, general interest of all in society, the common good. But on the other, instead of also producing economic equality, which political equality seems to suggest will be the result (also argued above), this political equality institutionalises economic inequality within civil society according to the ownership of private property, a process it masks as its hidden 'other'. Thus, in the post-1789 era:

The state...abolishes distinctions based on birth, rank, education and occupation when it declares birth, rank, education and occupation to be non-political distinctions, when it proclaims that every member of the people is an equal participant in popular sovereignty regardless of these distinctions...Nevertheless the state allows private property, education and occupation to act and assert their particular nature in their own way, i.e., as private property, as education and as occupation. Far from abolishing these factual distinctions, the state presupposes

them in order to exist, it only experiences itself as a political state and asserts its universality in opposition to these elements (Marx 1992:219).

If civil society was indeed inhabited by a multitude of Robinson Crusoe's, equivalent in every way, then equality in exchange, or economic equality, would indeed be the result of political equality. But civil society instead consists of a host of *unequal* individuals, divided as Marx suggests here by property, education, occupation, along with many other factors. Exchange under conditions of political equality thus serves to reinforce rather than eliminate pre-existing economic inequalities.

In turn, whereas classical political economy begins from the standpoint of individuals, this too is merely a mask for how social groups and classes are divided by their unequal position within the division of labour. This is most clear in the relation between capital and labour, between which, Marx argues, equality in exchange can never be anything more than 'an illusion' (1973:284). As he explains in *Capital I*, this relation, although started by the purchase of labour power in the market by the capitalist on apparent terms of equality, is transformed into the unequal and exploitative appropriation of the worker's labour, the source of all value and profit, hidden behind closed doors within the workplace. Thus, after examining the surface appearance of civil society at great length in parts one and two, he comments,

Let us...in company with the owner of money [the employer] and the owner of labour-power [the employee], leave this noisy sphere, where everything takes place on the surface and in full view of everyone, and follow them into the hidden abode of production, on whose threshold there hangs the notice "No admittance except on business"...The secret of profit-making [will here] be laid bare. (1990:279-80)

As we will see in chapter six, this hidden structural inequality and exploitation in the workplace, which for Marx took place through factors such as the control of the production and circulation processes, the combination of labour-power, the extension of the working day, the introduction of machinery and industry, the intensification of work-rate and the unceasing imperative to increase productivity, operates entirely within the free operation of civil society, as underpinned and produced by its political governance.

Thus the political equality of the individual institutionalises the existence of a vast range of economic inequalities among social groups and classes within civil society. It does so whether we consider this merely in terms of the singular class division between capital and labour, or in the myriad socio-economic groups

within the division of labour, the analysis of which Marx left unfinished in *Capital* III (1959:ch.58). Both cases reveal the same obfuscation. In making civil society appear devoid of politics, and the state seem outside the realm of civil society, classical political economy obscures the ways in which the state maintains the dominance of particular social groups over others within civil society. Instead of separation between the two spheres, civil society thus 'penetrate[s] every corner and crevice of the political realm' (Avineri 1968:19); it quite clearly has a 'political face'.

3.5. Relevance

In his attempt to critique the basis of 19th century capitalist society, Marx argues that its chief discourse, classical political economy, is founded upon the assumption that human beings naturally and beneficently relate to one another in terms of market relations. The market, the economic sphere of civil society, is thus made to appear natural and universal, on the one hand arising wherever political, social, technical, geographical and other impediments to human freedom are removed, and on the other self-perpetuating according to an inbuilt equilibrium. The problem with this viewpoint, however, is that it has no conception of how social exclusion may be produced within these market relations themselves, and within civil society as a whole. In particular, Marx argues, classical political economy is silent on how social exclusion is produced through the historical construction of the economic sphere of civil society, and through its political governance. The fundamental patterns and structures of market society are themselves made to appear natural and inclusive, rather than socially constructed and exclusive. The production of social exclusion thus stands obscured.

Marx's argument has direct relevance to the discrepancy within the globalization discourse of chapter two. Globalization, or rather the global economy, shares the same definition and assumptions according to globalization discourse as the economic sphere of civil society, or the market, did under classical political economy. The fundamentals of each discourse remain the same. And, indeed, the phenomenon under study appears remarkably the same. The only difference seems to be that the global extension and intensification of today's global economy is far beyond the scale witnessed in Marx's lifetime. This

resemblance, we contend, is no accident. All orthodox political-economic discourses stemming from classical political economy have shared the same basic problem because they all falsely assume the market to be natural to human social relations. These discourses, although different in their language, presentation and application, replicate this because all are, in essence, discourses of the market according to its surface appearance, as 'the collision of unfettered individuals who are determined by their own interests'. They are all explanations of the market *as it appears*.

But this surface appearance holds only for included social groups and classes within the global political economy, those whose survival and material reproduction is bound up with its central institutions and structures. These discourses are written from the perspective of those who are structurally advantaged by the hidden inequalities within the market. In portraying the basic patterns of social organisation as natural, they mask the production of social exclusion within the economic sphere of the market. Now we need to move towards a position in which we bring the production of social exclusion to light, and for this we turn to Marx's historical materialism, his response to the limited perspective of classical political economy.

4. Historical materialism and social exclusion

In the social production of their existence, men inevitably enter into definite relations, which are independent of their will, namely relations of production appropriate to a given stage in the development of their material forces of production. The totality of these relations of production constitutes the economic structure of society, the real foundation, on which arises a legal and political superstructure and to which correspond definite forms of social consciousness. The mode of production of material life conditions the general process of social, political and intellectual life. It is not the consciousness of men that determines their existence, but their social existence that determines their consciousness.

Karl Marx (1971:20-1)

We have now completed tasks one and two of our method of critique. In chapter two we identified the discrepancy within globalization discourse between face value and reality produced by its assumptions and truth-claims. In chapter three we traced the historical emergence and fundamental basis of this discrepancy as the mistaken assumption that market relations are natural, universal and beneficent in human society. Here we reach a second impasse. There is no way to understand the production of social exclusion within the economic sphere of civil society from a perspective which simply assumes the existence of this sphere. We need some way to go beneath the surface appearance of a 'natural' market. Thus, for our third task, we will employ Marx's historical materialism as a mode of inquiry into the political economy which will provide the basis for understanding the production of social exclusion within the market, leading to our exploration of the capitalist global political economy beginning in chapter six. However, to get there will require the preliminary step of understanding historical materialism in its original context as a general method of investigating historical social formations. The purpose of this chapter, then, is to establish historical materialism as a mode of inquiry into the production of social exclusion *within* historical social formations.

Section one brings together Marx's various writings to present his historical materialism as a general mode of inquiry into the fundamental nature of historical social formations. This perspective delves underneath society's common sense assumptions and truth-claims and instead rests upon an analysis of historically specific social formations through an exploration of the dynamic, or mode of production, at the heart of social relations. Within the social formation the mode of production drives historical change and determines the fundamental nature of its social structures, and thus the fundamental patterns of social exclusion.

Section two defends the historical specificity of Marx's method against claims of determinism both from his opponents and from within the Marxist tradition itself. This is essential because if historical materialism is simply deterministic in some fashion, such that the production of social exclusion can be reduced to economics or technology or some other factor standing outside its analysis, then historical materialism cannot claim to be any less ahistorical or apolitical than the orthodoxy it counters. Such determinism would thus destroy its capacity for critique. The answer to such charges, we argue, is that Marx's method does not operate according to determinism, but rather according to historical specificity, its exact opposite. We defend this position by considering how the deterministic reading of Marx has arisen and by considering Marx's explicit methodological statements in his writings. In doing so we explore the importance of historical specificity in our analysis.

Section three extends Marx's historical materialism into a general framework for the study of the production of social exclusion *within* the social formation. Our interest here lies not in social exclusion itself, but the mechanisms of exclusion which produce and perpetuate its existence. We argue first that Foucault's notion of power allows us to consider the concept of exclusion not in a negative sense as exclusion from but instead in a positive sense, as the active production of exclusion within the social formation. From this we suggest a framework for the study of mechanisms of exclusion divided according to base – land, labour and capital – and superstructure – rights, gender and truth. This also forms the basis of our framework for the study of the capitalist global political economy beginning in chapter six.

In section four we conclude with a discussion of how this framework can be applied in the study of historical social formations.

4.1. Historical materialism

As Marx's interest was the critique of bourgeois civilization as a whole, his historical materialism is, correspondingly, the study of society, or, rather, the social formation, as a whole, in its construction, reproduction, and transformation. In other words, historical materialism is the study of the 'totality' of social relations among connected groups of human beings. The reason for such a broad perspective is that Marx views this as the only way to unearth and

overturn the most fundamental common sense assumptions and truth-claims within bourgeois society, those which lock observers within its orthodoxy of language, conceptions and structures. From the last chapter we recall this is his fundamental critique of classical political economy which posits that the conditions of life, 'although created by society, appear as if they were *natural conditions*, not controllable by individuals' (1973:164, emphasis retained). And, as such, the first lines of his Preface to *The German Ideology* expand this to be the general case:

Hitherto men have constantly made up for themselves false conceptions about themselves, about what they are and what they ought to be. They have arranged their relationships according to their ideas of God, of normal man, etc. The phantoms of their brains have got out of their hands. They, the creators, have bowed down before their creations. Let us liberate them from the chimeras, the ideas, dogmas, imaginary beings under the yoke of which they are pining away. Let us revolt against the rule of thoughts. Let us teach men...to exchange these imaginations for thoughts which correspond to the essence of man...to take up a critical attitude to them...to knock them out of their heads (Marx & Engels 1965:23)

Thus, only if observers stand outside the conceptual norms of the social formation in which they live can they see, critique and perhaps change the most fundamental assumptions and truth-claims which define their lives. To look at the social formation from the outside-in is Marx's fundamental starting point in historical materialism.

Following from this, historical materialism is a *materialist* conception of the world, and as such it stands in contrast to all conceptions of history and society which suggest that ideas come first. Thus Marx's method is in his view the inversion of that of his predecessor, Hegel, who argued that history was the progressive realisation of spirit (*Geist*), or 'the Idea' (G.A. Cohen 2000:ch.1; Tucker 1978:sec.I). 'With Hegel,' Marx argues, 'the process of thinking, which he even transforms into an independent subject, under the name of "the idea", is the creator of the real world, and the real world is only the external appearance of the idea. With me the reverse is true: the ideal is nothing but the material world reflected in the mind of man, and translated into forms of thought' (1990:102). At its most basic, then, Marx's materialist view is that 'ideas are the product of the human brain in sensory transaction with a knowable material world; ideas are not founded in immanent categories given in the human mind independently of experience' (Giddens 1971:21). But it is not merely ideas which are produced in this sense; it is rather all aspects of society, its whole worldview. Thus:

The production of ideas, of conceptions, of consciousness, is at first directly interwoven with the material activity and the material intercourse of men, the language of real life. Conceiving, thinking, the mental intercourse of men, appear at this stage as the direct efflux of their material behaviour. The same applies to mental production expressed in the language of politics, laws, morality, religion, metaphysics, etc. ...Men are the producers of their conceptions, ideas, etc. – real, active men...Consciousness can never be anything else than conscious existence, and the existence of men is their actual life-process. (Marx & Engels 1965:37)

And as such we have his famous quote that the ‘hand-mill gives you society with the feudal lord; the steam-mill, society with the industrial capitalist’ (1956:122). It is the material basis of society which produces its particular social formation.

Marx developed the concepts of *labour*, *surplus* and *production* to examine this material base (E.R. Wolf 1982:73-5). The most fundamental element of human existence, Marx argues, is the material transformation of nature to produce the conditions of social life through *labour*. Thus, the beginning of ‘human history’ emerged in the production of the ‘means of subsistence’ (Marx & Engels 1965:31), which is, in essence, the social transformation of ‘nature to human use’ (E.R. Wolf 1982:73). Thus Marx defines labour as ‘the universal condition for the metabolic interaction between man and nature, the everlasting nature-imposed condition of human existence...common to all forms of society in which human beings live’ (1990:290). In its transformation of nature, labour does not merely produce the means of subsistence but also produces a *surplus*, that which is not for immediate survival and reproduction but which produces complex social forms. This basic notion of labour ‘in general’, or ‘abstract labour’ (e.g. Marx 1973:296-7), which exists according to the social necessity of transforming nature for the purposes of subsistence and surplus, is for Marx the fundamental building-block of all human societies.

Marx’s concept of labour does not concern human beings as isolated individuals but rather, as he writes in the first paragraph of the *Grundrisse*, ‘individuals producing in society’ (1973:83). Thus he uses the phrase ‘social labour’ interchangeably with labour, such that the ‘labour of the individual is posited from the outset as social labour...whatever the particular material form of the product he creates or helps to create...is not a specific and particular product, but rather a specific share of the communal production’ (1973:172). As such, the social combination of labour leads to his concept of *production*, which comprises the ‘complex set of mutually dependent relations among nature, work, social

labour, and social organization' (E.R. Wolf 1982:74). Production in general, then, is the material framework common to all human pluralities, he terms production 'in general' (e.g. Marx 1973:85). In turn, the social distribution of labour tasks is termed the 'division of labour', which increases in complexity in line with the development of the productive forces in society. Combining these concepts, historical materialism holds that if labour is the fundamental basis of human existence, then the social configuration and organisation of labour – the particular way in which human beings produce their material lives in combination with one another – is the most basic determinant within the social formation.

Marx terms a particular configuration of labour, surplus and production a *mode of production*, which is alternatively known as a 'dynamic'. Marx himself only studies the capitalist mode in any detail, and his many other sketches – feudal, Germanic, communal, Asiatic, and so on – have been often criticised. Here we agree with Eric Wolf that 'it is immaterial whether Marx was right or wrong – whether he should have postulated two or eight or fifteen modes of production, or whether other modes should be substituted for those suggested by him' (1982:75-6). The utility of the concept, rather, is that it provides a framework for our investigation into social formations as a whole. Four elements of this concept are of particular note.

First, and to show how our prior concepts are here combined, in the sense that the mode of production is 'a specific, historically occurring set of social relations through which labor is deployed to wrest energy from nature by means of tools, skills, organization, and knowledge' (E.R. Wolf 1982:75), each particular mode of production thus defines the set of social relations which coordinate social labour and production within the social formation. According to Eric Wolf,

The labourer, the direct producer...is someone who always stands in relationship to others, as kinsman, serf, slave, or wage labourer. Similarly, the controllers of social labor...are assigned to their positions by the system of deploying social labor, which casts them in the role of elder kinsman, chief, seignorial lord, or capitalist. It is this conception of social mobilization, deployment, and allocation of labor that allows us to understand how the technical transformation of nature is conjoined with the organization of human sociality. (1982:74)

The mode of production defines whether the key social relation in society is that between kinsman and elder, serf and lord, slave and master, or wage-labourer and capitalist. The contention of historical materialism is that all social formations throughout history rest upon a particular mode of production which defines the existence and functions of their most basic structures and

institutions. There may be many social formations which have rested upon the same mode of production, and where this is the case each will exhibit similar basic characteristics.

Second, the way in which the mode of production determines the particular characteristics of a social formation is defined according to the way in which the mode of production distributes *surplus*. Each mode of production exhibits a particular and historically specific form of surplus extraction, or ‘appropriation’, which directs the form and distribution of surplus and the way in which it is forcibly extracted from direct producers. Although Marx does not give us a detailed outline of this process in general, the section in the *Grundrisse* known as the ‘Formen’, or ‘Pre-Capitalist Social Formations’ (1973:471-514), furnishes us with a number of examples. A clear comparison is between the feudal and capitalist modes.

Under feudalism, according to Perry Anderson, serfs were tied to the land and to their lords by ‘polito-legal’ ties of dependence (1974a:147-8). Their surplus was extracted by political and legal compulsion, taking the form of labour services, rents in kind, or customary dues owed to the individual lord by the peasant. As we will see in the following chapter, this produced European social formations defined by relationships of homage, serfdom and vassalage; ‘relationships of personal dependence’ (Marx 1973:158). Surplus flowed through hierarchies, from those tied to the land to a variety of nobles, the Church, and to the monarch, in a system of overlapping political and legal jurisdictions.

Under capitalism, in contrast, surplus-extraction no longer takes place through direct political and legal compulsion. Instead, as perhaps hinted at in the last chapter, it takes place wholly within the ‘economic’ sphere of the market, by direct ‘economic’ means (Marx 1990:ch.6; Meiksins Wood 1995:ch.1). Surplus is extracted in the workplace, not by direct political or legal coercion (although certainly the process is underpinned by an extensive framework of political power and legality), but by an agreement in the marketplace between labour and capital. The former is ‘free’ to sell labour for a wage; the latter is ‘free’ to organise labour and raw materials through direct control of the production process. In doing so capital extracts the difference between what is paid out in wages and the total value added by labour in their transformation of raw materials through the production process. This economic extraction of ‘surplus-value’ within the market defines the fundamental structures of capitalist social formations: the existence of markets for labour and commodities, the constant revolution of production

techniques, growing competition and the corporation, the role of the political sphere, and so on. This will be pursued further in chapters six through nine.

The fundamental differences between feudal and capitalist social formations, then, are determined by the form and distribution of surplus and surplus extraction specific to their modes of production. In this sense, the social distribution of surplus, a function of the mode of production, defines the fundamental structures within the social formation. As Marx argues, ‘the aggregate of these relations, in which the agents of production stand with respect to Nature and to one another, and in which they produce, is precisely society’ (1959:818).

Third, the use of the word *dynamic* as an alternative title for the mode of production, brings us to the next key element of the concept, in that it is the fundamental determinant of historical social change. ‘History [in and of itself] does nothing’ argue Marx and Engels; ‘it does not possess immense riches, it does not fight battles. It is men, real, living men, who do all this, who possess things and fight battles. It is not “history” which uses men as means of achieving – as if it were an individual person – its own ends. History is nothing but the activity of men in pursuit of their ends’ (quoted by McLellan 1973:43). There is no inexorable onward march of history, progress, or ‘the Idea’, but rather historical change directly results from the continual production and reproduction of social life according to the historically specific mode of production. According to Marx, ‘[n]ot only do the objective conditions change in the act of reproduction, e.g. the village becomes a town, the wilderness a cleared field etc., but the producers change too, in that they bring out new qualities in themselves, develop themselves in production, transform themselves, develop new powers and ideas, new modes of intercourse, new needs and new language’ (1973:494). In this way social formations and the modes of production upon which they are based develop and change over time, particularly through contradiction and crisis, as is revealed by Marx’s sketches in the ‘Formen’, and his remarks on crisis and revolution elsewhere. The mode of production, then, is crucial to the understanding of the historical construction and transformation of the social formation, through which the basic social structures and institutions are determined.

Last, and crucial to the application of this concept to the question of social exclusion, the social relations of surplus extraction are, to Marx, always ‘means of domination and exploitation’ of one group over another in society (1990:799).

Thus, in terms of the particular case of the capitalist mode of production, its 'driving motive and determining purpose...[is] the greatest possible production of surplus-value, hence the greatest possible exploitation of labour-power by the capitalist' (1990:449). All modes of production are inherently exploitative because in each case one element of society, or rather one element of the division of labour, does not own the whole product of their own labour, but rather only a small portion; the rest takes the form of surplus distributed according to the mode of production. The worker becomes 'related to the product of his labour as to an alien object' (1992:324, emphasis removed). In contrast other elements of the division of labour appear to have 'the right to [their] alien labour' (1973:458). Now, Marx's quotes used here all refer to the capitalist mode of production in particular, but, in essence, they contain the fundamental exploitative nature of all modes of production, whether surplus extraction takes place at the point of a sword, according to a religious commandment, or through a legal contract covering the length of a working day. Marx's view is that the capitalist mode is merely the most exploitative of all modes as here labour is alienated from its product in its most complete form. All modes of production, then, consist of relations of exploitation and domination. As the mode of production is the fundamental determinant of the basic structures and institutions of the social formation, so does it define its basic patterns of exploitation and domination, which we will shortly define in terms of patterns of social exclusion.

In summary, historical materialism is a framework through which all social formations may be studied from the outside-in. Its perspective is to stand outside the assumptions and truth-claims of particular social formations and to conceive them as a whole. Its fundamental premise is that the material production of social life is the fundamental determinant of structures and institutions throughout society. The concept which Marx developed to encompass this process is the mode of production, the historically specific set of social relations which combine labour, surplus and production in a particular configuration. The mode of production defines the historical construction and transformation of the social formation, and through this process determines its basic structures and institutions. Finally, the concept of the mode of production contains within it the idea that all productive social relations consist of exploitation and domination of some social groups over others. Just as the mode of production determines the basic structures and institutions within the social formation, through the very

same process it also determines the most fundamental patterns of social exclusion within the social formation.

4.2. A defence of historical specificity

At this stage a general misconception of ‘vulgar Marxism’ (Hobsbawm 1997:192) needs to be countered so that we may consider historical materialism a viable method. This is the idea of determinism which has manifested itself, first, in the view that history is driven along a single path by one particular cause, in particular economic or technological determinism; and second, in the misrepresentation of the base and superstructure model from the quote at the beginning of this chapter. The danger of determinism is that it is as ahistorical and apolitical as the orthodoxy it counters. Thus if historical materialism is conceived as some form of simple determinism, its capacity for critique is destroyed. The answer to both charges, we argue, is that Marx’s method does not operate according to simple determinism, but rather according to historical specificity, its exact opposite. This historical specificity is vital in bringing to light the production of particular patterns of social exclusion, and thus overcoming discourses which obscure these processes.

First is the contention that Marx’s methodology is little more than economic or technological determinism. Thus, G. A. Cohen’s *Karl Marx’s Theory of History: A Defence* (2000) is one of many Marxist works which forwards an explanation of the world in which ‘there is an *inevitable* evolutionary trend for the material productive forces of society to develop’ (Hobsbawm 1997:215, emphasis added). Meiksins Wood categorises such approaches by their assumption ‘that all historical stages – and especially capitalism – have in effect existed, at least as recessive traits, since the beginning. Such accounts of history typically invoke some *deus ex machina*, some external factor, to explain the process that brings these recessive or embryonic traits to fruition’ (1995:114). They hold in common the idea that there is some agency standing outside history which drives humanity inexorably forward on a unilinear path of progress.

The second contention is that Marx’s idea of base and superstructure is also deterministic, in the sense that the economic ‘base’ determines in an exact and precise way the social, political and intellectual ‘superstructure’; in other words the belief that ‘the economic factor is the fundamental factor on which the others

are *dependent*' (R. Stammler, quoted by Hobsbawm 1997:192, emphasis added), 'a simple relation of dominance and dependence between the "economic base" and the "superstructure"' (Hobsbawm 1997:192). This has been developed furthest in the structural determinism of Althusser and his followers (Meiksins Wood 1995:ch.2; Thompson 1978). This understanding of base and superstructure carries the threat of reductionism, 'both in its denial of human agency and its failure to accord a proper place to "superstructural" factors, to consciousness as embodied in ideology, culture or politics' (Meiksins Wood 1995:49-50).

If historical materialism was a simple form of determinism, much like the orthodoxy it opposes, it would be wholly inadequate for Marx's task of *Kritik*. Yet, on occasion, Marx's language seems to support both contentions. On the one hand he often employs short aphorisms which substitute detail for simple and broad meaning, at the cost of appearing to support a deterministic view of history. In this sense his language often strays towards terms such as 'historical development' (e.g. 1959:878), 'stages' of development (e.g. 1971:20), and 'natural phases' of development (e.g. 1990:92) as shorthand for historical change. In turn, his most widely read tract, the *Manifesto*, describes clearly the progression of 'epochs of history' from antiquity through feudalism and capitalism to socialism, but without an equally clear outline of the materialist conception of history from which it springs (Marx & Engels 1978). Such examples are ripe for historical teleology being read between the lines.

On the other, in the quote with which we started this chapter from his famous Preface to *A Contribution to the Critique of Political Economy*, he states '[t]he totality of [the] relations of production constitutes the economic structure of society, the real *foundation*, on which arises a legal and political *superstructure* and to which correspond definite forms of social consciousness. The mode of production of material life conditions the general process of social, political and intellectual life' (1971:20-1, emphasis added). This has been perhaps the most important sentence in the determinist arsenal, regardless of the fact that it appears only in the form of the briefest summary within a preface, and repeated as a footnote in *Capital I* (1990:175n), not within the main body of any particular argument or longer work. Yet in each of these cases, Marx's language could not appear much more deterministic.

In addition, E. P. Thompson points out a further nuance of Marx's language which lends itself to such misrepresentation. He argues in *The Poverty of Theory*

that Marx has the habit of making arguments by analogy without saying explicitly this is what he is doing, and as a result the reader is left guessing whether his illustrations are the real argument or whether they are a mere illustration, whether or not they should be understood 'as if'. One example is the opening line of part one of the *Manifesto*, which reads, '[t]he history of all hitherto existing society is the history of class struggles' (Marx & Engels 1978:473). He argues this has falsely led Althusser to claim that 'class struggle is the motor of history.' Thus, '[f]or Marx, the historical process eventuates *as if* it was impelled forward by [class struggle]; for Althusser the...system *literally is motored* through all its evolutions and permutations by class struggle' (Thompson 1978:297, emphasis retained). In this instance too, clearer language may have avoided the claim of determinism.

Perhaps a more subtle reason is that in his own application of historical materialism Marx did not approach history as a historian but rather worked backwards from the capitalist mode of production, which made it appear as though he meant that all history was leading up to its present realisation (Hobsbawm 1997:ch.11). This is the source of his famous aphorism that '[h]uman anatomy contains a key to the anatomy of the ape', which appears to explicitly suggest a unilinear and deterministic path of human history. But pay attention to how he follows this sentence: '[t]he categories which express its relations, the comprehension of its structure...allows insights into the structure and the relations of production of all the vanished social formations out of whose ruins and elements it built itself up, whose partly still unconquered remnants are carried along within it, whose mere nuances have developed explicit significance within it, etc.' (1973:105). The fact that he is looking for 'insights' signifies he is not referring to a unilinear version of history, but rather the quite obvious fact that elements of pre-capitalist societies have set the conditions for, and left their mark upon, the particular and historically specific outworking of the capitalist mode of production in various geographical locations and at various times. We see this today in buildings built under non-economic social relations being put to commercial use.

This deterministic reading of Marx veered from the somewhat accidental in Engels to having a very particular political function in Marx's later followers; first in support of revolution; and second in the ideological role of official Marxist-Leninist doctrine within the USSR, especially from Stalin onwards. This in particular is what Hobsbawm refers to as 'vulgar Marxism'.

Engels had much to do with determinism taking root, especially with the absence of a number of Marx's works such as the *Grundrisse* which were published only during the 20th century. In his attempt to explain Marx's method in the abstract he expanded it into his scientific theory of 'dialectical materialism', which argued that all natural phenomenon developed and existed according to simple rules of dialectics, such as the famous 'negation of the negation', and that Marx's historical materialism was merely the application of this truism within the realm of economics (Colletti, in Marx 1992:10). His works such as *Anti-Dühring*, published 1878, subsequently became the basis for the following generation of Marxists such as Kautsky, Plekhanov and Bernstein. The reason was its simplicity, according to Lucio Colletti:

while a philosophical background or general conception could be glimpsed only occasionally and with some difficulty in Marx's prevalently economic works, in Engels it stood squarely in the foreground. Not only that, it was expounded there with such simplicity and clarity that every single disciple of the period praised him for it. The leading intellectual figures were all in the most explicit agreement on this point: they had all been drawn to Marxism principally by the works of Engels. (In Marx 1992:9)

Next, as Hobsbawm argues, simplicity was essential in the dissemination of revolutionary ideas throughout society by early Marxists. Its simple maxims of exploitation and revolution 'represented concentrated charges of intellectual explosive, designed to blow up crucial fortifications of traditional [society], and as such they were immensely powerful' (1997:193-4).

Within the USSR, too, simplicity played its part in legitimising socialist rule as the highest development of humanity, and presenting it as the inevitable fate of the capitalist world. Thus, as Meiksins Wood argues,

For reasons specific to the circumstances of the Soviet Union and the imperatives of rapid economic development, the development of productive forces on the model of industrial capitalism, and in response to the pressures of the international capitalist economy (not to mention geo-political and military pressures), technological determinism took precedence..., and history [that is, historical specificity,] gave way to universal laws. (1995:6, emphasis removed)

As Thompson argues, to go beyond such reductionism and ideological misrepresentation we must separate Marx from 'the Marxist tradition' (1978:360). Rather than being deterministic, the value of Marx's historical materialism is that the very opposite is its watermark. It is founded upon the exacting historical specificity of every case, brought out by historical observation. 'The most

distinctive feature of historical materialism', argues Meiksins Wood, is its focus 'on the specificity of every mode of production, its endogenous logic of process, its own "laws of motion", its characteristic crises' (1995:121). Our argument, then, is that a deterministic reading of Marx is a misrepresentation of his method. How does Marx himself conceive and defend historical specificity?

We have already seen in the last chapter Marx's notion of historical specificity in action. In the *Grundrisse* for example he writes that all social categories are 'a product of historic relations, and possess their full validity only for and within these relations' (1973:105). All elements of society are historical: they have a historical pattern of construction, reproduction and transformation according to their internal workings. This stands at the centre of his historical materialism as traced in the preceding section. Thus, throughout his writings Marx is clear that the only way such characteristics and relationships can be determined is through detailed historical, 'empirical' analysis. In *The German Ideology* he points out quite clearly the historical specificity of his method: '[t]he fact is...that definite individuals who are productively active in a definite way enter into these definite social and political relations. Empirical observation must in each separate instance bring out empirically, and without any mystification and speculation, the connection of the social and political structure with production' (Marx & Engels 1965:36). For example, in his Preface to the 1st edition of *Capital I* he writes that 'the ultimate aim of this work is to reveal the economic law of motion of *modern* society' (1990:92, emphasis added). Clearly he is not referring here to *all* history, but rather to the very specific history of capitalism.

Harvey argues with regard to *Capital I* that Marx never intended his method to be understood through his sparse methodological statements but rather through the consideration of the work as a whole (Harvey 2007, 8th lecture). His major works are thus methodological statements in themselves. In this sense the method of *Capital I* is revealed by its application to the capitalist mode of production as a particular historical phenomenon. Thus, with reference to one particular methodological footnote (Marx 1990:493-4n), David Harvey discusses how in doing so Marx avoids causal language altogether, considering instead how a variety of factors – here, in terms of the capitalist mode of production, Marx lists technology, nature, the labour process, the reproduction of daily life, social relations and mental conceptions – exist in a reflexive and fluid framework of dynamic interrelations, or moments in a process of 'co-evolution'. This is clearly not a deterministic understanding of base and superstructure. The only way in

which this can be understood is through historical specificity, revealing the configuration of particular factors in the production of a particular social reality at a particular time and place. Thus his work is full of historical examples, each of which 'are something more than "instances" and "illustrations", but something less than real history' (Thompson 1978:249), and as such the depth of this specificity, particularly his 'illustrations' in chapter twenty-five, is overwhelming. His more direct historical works, especially *The Eighteenth Brumaire of Louis Bonaparte*, reveal even more clearly the historical detail which he believed appropriate to this task.

Furthermore, Marx himself had to defend his historical specificity against allegations of determinism, and here we find clear statements of his approach. His clearest statement on this issue is against the criticism of N. K. Mikhailovsky in the *Otechestvenniye Zapiski*, a magazine published in St. Petersburg. He wrote to the editorial board in November 1877 to defend his method in *Capital I*:

[Mikhailovsky] insists on transforming my historical sketch of the genesis of capitalism in Western Europe into an historico-philosophic theory of the general path of development prescribed by fate to all nations, whatever the historical circumstances in which they find themselves, in order that they may ultimately arrive at the economic system which ensures, together with the greatest expansion of the productive powers of social labour, the most complete development of man. (Marx & Engels 1975:293-4)

Further on, in comparing Roman and US slavery, he points out that

events strikingly analogous but taking place in different historical surroundings led to totally different results. By studying each of these forms of evolution separately and then comparing them one can easily find the clue to this phenomenon, but one will never arrive there by using as one's master key a general historico-philosophical theory, the supreme virtue of which consists in being supra-historical. (Marx & Engels 1975:294)

Engels also found himself on the defensive in his letter to Joseph Bloch on 21 September 1890:

According to the materialist conception of history, the *ultimately* determining factor in history is the production and reproduction of real life. Neither Marx nor I have ever asserted more than this. Hence if somebody twists this into saying that the economic factor is the *only* determining one, he transforms that proposition into a meaningless, abstract, absurd phrase. The economic situation is the basis, but the various elements of the superstructure – political forms ..., juridical forms, and especially the reflections of all these real struggles in the brains of the participants, political legal, philosophical theories, religious views... - also exercise

their influence upon the course of the historical struggles and in many cases determine their *form* in particular...

We make our history ourselves, but, in the first place, under very definite antecedents and conditions. Among these the economic ones are ultimately decisive. But the political ones, etc. ...also play a part (Marx & Engels 1975:394-5, emphasis retained)

In summary, deterministic criticisms of Marx are no more than attempts to fill in the blanks of what he apparently did not write, stemming from a flawed understanding of what he *did* write. His method of historical specificity is contained within statements in the *Grundrisse* and *The German Ideology*, is applied in great detail in his major works such as *Capital I*, and is defended explicitly against claims of determinism by himself and Engels. And so, with regard to base and superstructure, what we need to keep in mind is reflexivity. Although on the one hand the material base defines the context and form of the basic institutions and structures within any given social formation, on the other we cannot forget that the model itself 'implies a consideration of superstructure as well as a base, that is, the importance of ideas' – social, political, economic, cultural, religious, linguistic ideas – and in particular the way these ideas produce social reality (Hobsbawm 1997:242).

4.3. A framework for the study of social exclusion

We are now in a position to develop a general framework for the study of the production of particular patterns of social exclusion within the social formation. To do so we draw on Foucault's notion of power. As discussed in the introduction, the term social exclusion has emerged within policy discourse since the 1970s and 80s to define a situation in which 'some individuals, groups, communities or geographical areas are cut off from participation or full involvement in social institutions and services and from the broader society' (Sporer 2003:7, emphasis removed). At the global level, this discourse refers to exclusion *from* full involvement in the global economy. The problem with this conception of exclusion is that it fails to consider the global political economy as a whole, which would posit the problem not as exclusion *from*, but as exclusion *within* key social institutions and structures. To expand this conception into the general case applicable to all social formations, as we have done with historical materialism, we put forward the following definition: social exclusion refers to *exclusion*

produced and reproduced within the central institutions and structures of a particular social formation, social structures and institutions which incorporate and are productive of both social inclusion and exclusion: on the one hand maintaining conditions of inclusion; on the other managing the limits and threats to inclusion, producing as a result particular patterns of exclusion.

What we need to do, then, is develop a framework within which we can explore the active production of social exclusion *within* the social formation, as opposed to exclusion *from* the social formation. If we begin from the premises of historical materialism, social exclusion must be conceived in terms of the material production and reproduction of social life. As we saw above, this process is defined by the mode of production, which, through the way in which it organises the social distribution of surplus, determines the fundamental structures within the social formation. In this sense, patterns of social exclusion are determined by the way in which the mode of production organises the distribution of surplus among key social groups. This is intimately related to *power* in society, the power which enables particular groups to exclude others. For this we turn to Foucault's notion of power in society. To Foucault 'power is *not* a "thing" or a "capacity" which can be owned either by State, social class or particular individuals. Instead it is a *relation* between different individuals and groups and only exists when it is being exercised' (O'Farrell 2005:99, emphasis retained). Foucault's intention is to explain the real, material power relations operating in society, and in this sense his notion of power integrates well with historical materialism. As he argues with regards to both power and knowledge, 'they are not just superimposed on the relations of production but, rather, are very deeply rooted in what constitutes them' (Foucault 2000:87).

Inclusion and exclusion, in this sense, are a function of power relations among various classes and groups. Rather than being the capacity to repress and oppress, power in Foucault's formulation is productive and active. 'What makes power hold good, what makes it accepted, is simply the fact that it doesn't only weigh on us as a force that says no; it also traverses and produces things, it induces pleasure, forms knowledge, produces discourse. It needs to be considered as a productive network that runs through the whole social body, much more than as a negative instance whose function is repression' (2002:120). Indeed, '[w]e must cease once and for all to describe the effects of power in negative terms: it "excludes", it "represses", it "censors", it "abstracts", it "masks", it "conceals". In fact, power produces; it produces reality; it produces domains of

objects and rituals of truth' (1991:194). Power relations in this active, productive sense, then, stand at the very heart of the process of exclusion, which is not a one-off act, but rather runs throughout the social formation, from visible institutions of exclusion, which Foucault terms 'domination' (e.g. 2000:283), right down to the 'microphysics of power', 'where power reaches into the very grain of individuals, touches their bodies and inserts itself into their actions and attitudes, their discourses, learning processes and everyday lives' (1980:39).

With this notion of power in mind, what we are investigating is not social exclusion itself in its real existence, but rather the 'mechanisms of power' (1980:39), or rather 'mechanics of exclusion' (Kabeer 2002:1), which produce and reproduce these patterns of social exclusion within particular social relations. These *mechanisms of exclusion* are visible on the one side in their expressions in material institutions and structures, discourses, knowledges, beliefs, and so on, and on the other in the existence of resistance; thus we use resistance 'as a chemical catalyst so as to bring to light power relations, locate their position, find out their point of application and the methods used' (Foucault 2002:329). The former we identify through the observation of historically specific social formations. For the latter we depend once more upon Foucault. His conception is that resistance is 'inscribed in [relations of power] as an irreducible opposite', such that '[w]here there is power, there is resistance.' He describes resistance in this sense as

present everywhere in the power network. Hence there is no single locus of great Refusal, no soul of revolt, source of all rebellions, or pure law of the revolutionary. Instead there is a plurality of resistances, each of them a special case: resistances that are possible, necessary, improbable; others that are spontaneous, savage, solitary, concerted, rampant, or violent; still others that are quick to compromise, interested, or sacrificial; by definition, they can only exist in the strategic field of power relations... they too are distributed in irregular fashion: the points, knots, or focuses of resistance are spread over time and space at varying densities, at times mobilizing groups or individuals in a definitive way, inflaming certain points of the body, certain moments in life, certain types of behaviour. Are there no great radical ruptures, massive binary divisions, then? Occasionally, yes. But more often one is dealing with mobile and transitory points of resistance, producing cleavages in a society that shift about, fracturing unities and effecting regroupings, furrowing across individuals themselves, cutting them up and remoulding them, marking off irreducible regions in them, in their bodies and minds. (1998:95-6)

As Louise Amoore suggests with reference to the work of James Scott, '[t]hough resistance is characteristically understood to be expressed through the politics of protest, demonstration, public statement or declaration,...the more mundane gestures of everyday life [also] reveal significant sites of political

struggle' (2005:7; see Scott 1990). Resistance therefore has many possible expressions, each potentially revealing the existence of mechanisms of exclusion.

We now have a notion of social exclusion which considers its active production within the social formation through power relations. Let us now establish a general framework for identifying these mechanisms of exclusion within the social formation. The work closest to our task at hand, Patricia Crone's *Pre-Industrial Societies* (1989), which attempts to sketch the 'general anatomy' of a wide number of social formations, is of little value because the patterns it identifies are in terms of contemporary economic categories, and thus does not allow for historical specificity. We are left, then, to establish a new framework, which consists of both the identification of patterns of social exclusion in the broadest sense, along with identifying the mechanisms of exclusion which produce them.

To make this more manageable, let us suggest that patterns of social exclusion are organised according to the distinction between class and social group. First, we may say that any particular social formation consists of a number of *classes*, each of which have a different but crucial relationship with surplus, defined, ultimately, according to the mode of production. Class in this sense refers to 'groups with shared positions' in the distribution of surplus (A. Sayer 1995:48). Thus, to employ two examples developed in future chapters, a capitalist social formation will be divided at its most fundamental between capital, landed property and labour, and a feudal social formation between a variety of 'orders', perhaps serfs, nobles and clergy. The existence of these classes is determined by the fundamental social institutions produced by the particular and historically specific mode of production. As such they form the basic structures for the distribution of surplus, and thus the basic patterns of social exclusion are in terms of class divides.

Secondly there exist hierarchical distinctions amongst social *groups* within each of these broad classes which further delimit the distribution of surplus. A good example of this is the concept of 'labour aristocracy' which Hobsbawm uses to explain why groups within a capitalist labour force distinguish themselves from one another to maintain their position within the division of labour, and thus a distribution of surplus which falls in their favour. We explore this further in chapter eight. The factors might be in terms of geography, race, language, or rights, among others, but each class will consist of a historically specific division among social groups.

Now let us turn to the mechanisms of exclusion, the object of our study. We divide these according to base and superstructure. The material base of the mode of production consists of ownership of the means of production, while the superstructure, the legal, political, military and religious system of rule built upon this base consists of what we will term rights to surplus, which are delineated according to rights, gender, and truth.

On the one hand, social exclusion is determined by the way in which particular social relations of production institutionalise the ownership of the material means of production. Marx's Trinity Formula of land, labour and capital developed in *Capital* III (1959:ch.48), although specific to the capitalist mode of production, provide a basis for identifying the means fundamental to all social formations. Marx himself identifies land and labour as 'two elements of the real labour-process, which...are common to all modes of production, which are the material elements of every process of production and have nothing to do with its [particular] social form' (1959:816). The third, capital, is merely the contemporary agglomeration of 'money, [the] means of production, [and the] means of subsistence' into a new and historically specific form, which, before their universalisation under the capitalist mode of production, mediated in the relationship between land and labour (1990:874). In this sense the means of production in any given social formation consist of land, labour and whatever mediates materially between the two, for example tools, wealth, buildings, ships, manufactories and so forth. As such, social exclusion is a product of the ownership of these three physical means of production.

On the other, social exclusion is also determined by superstructural factors: rights, gender, and truth. First, *rights*: rights to surplus, rights to inclusion in a particular society or component of society. This is tied to questions of citizenship and membership. 'The idea of citizenship,' write Shafir and Brysk, 'anchors rights in membership in a politically sovereign entity' (2006:277). If we replace the term 'politically sovereign entity' with tribe, commune or social hierarchy, we see that this membership applies equally to all social formations, because all modes of production distribute rights over surplus according to membership and rank within particular social-political (and perhaps religious) institutions. Within capitalist social formations it is most prominently a function of the national state and political governance; for our examples in the following chapter some form of social hierarchy. These rights operate as mechanisms of exclusion in terms of inclusion within the hierarchy, rights to determine access to surplus, and rights to

material provision. In each social formation their particular configuration is historically specific. Within the global political economy for example, as we discover in later chapters, we find that rights are separated into a strict divide into civil and political rights on the one hand, and economic and social rights on the other.

Second, *gender*, perhaps the clearest line of social division in all history except in the contemporary western world. It has not been a polar division, but rather exclusion according to otherness. According to Simone de Beauvoir, ‘man represents both the positive and the neutral,’ in other words inclusion, ‘whereas woman represents only the negative, defined by limiting criteria’ (1988:15). She is man’s other, excluded by not being male, subsumed within the relations of the male to whom she is bound, and invisible within the household. As examples, all social hierarchies considered in the following chapter were open only to men; women were excluded and defined exclusively by their relation to men, as wives, daughters, mothers, slaves, concubines or prostitutes. In relation to this we may suggest age, which has particular relevance to the capitalist mode of production, as discussed in chapter seven.

Finally, in all social formations rights to surplus are determined in some way according to what is considered *truth*, and by those who are in a position to determine and interpret what this truth is. As Foucault argues, truth is socially constructed within specific historical contexts:

Truth is a thing of this world...Each society has its regime of truth, its “general politics” of truth – that is, the types of discourse it accepts and makes function as true; the mechanisms and instances that enable one to distinguish true and false statements; the means by which each is sanctioned; the techniques and procedures accorded value in the acquisition of truth; the status of those who are charged with saying what counts as true. (2002:131)

In turn, Foucault argues that this social truth is inseparable from power relations, which is the main thread of the works collected in *Power/Knowledge* (1980). Thus, ‘in any society...multiple relations of power traverse, characterize, and constitute the social body; they are indissociable from a discourse of truth, and they can neither be established nor function unless a true discourse is produced, accumulated, put into circulation, and set to work’ (2004:24). Such truth reifies the present as eternal truth, cementing power relations and maintaining particular classes and groups in relations of domination (Feuchtwang 1975:69-71). Thus the construction and imposition of discourses of truth operate

as a mechanism of exclusion. From our argument so far, classical political economy and globalization discourse appear to be firm examples of this process in action.

4.4. Application

Now we turn to the application of this framework to the study of historical social formations. We look at non-capitalist social formations in chapter five; then we turn to the capitalist global political economy in chapters six through nine. The reason we keep these separate is twofold. First, historical materialism is not specific to the study of capitalism, but is rather a general mode of inquiry into historical social formations. The intention of these non-capitalist studies is to establish the viability of historical materialism as a general method in preparation for a more detailed analysis of the capitalist global political economy. Second, considering capitalist and non-capitalist cases will reveal just how much of a historical disjuncture the emergence of capitalism has been in world history. The distinction between our three historically specific non-capitalist cases and our study of the capitalist global political economy will help show just how different and distinct the modern world is from all prior epochs in history, and thus add further weight to our claim that ideas of a natural market and natural patterns of social organisation are false. This last point will be considered in more detail in chapter six section one.

Following Marx, we suggest the application of historical materialism to historically specific social formations consists of three elements. First we must unearth the mode of production at the heart of the social formation. We do this through studying the social formation in terms of the concepts laid out in section one. In the following chapter we rely predominantly upon the work of others for this task, though concerning the capitalist global political economy we will take a greater interest in tracing this ourselves through the employment of Marx's notion of the capitalist mode of production. The second task is to identify the key social structures and institutions determined by the mode of production, also as outlined in section one. As ours is not a work of history we will generally rely upon the work of economic and social historians. The final task is to bring to light how these social structures and institutions produce historically specific patterns

of social exclusion within the social formation, employing the general framework developed in section three.

Let us begin then by considering the production of social exclusion within three historical social formations unrelated to capitalism or the modern world, before moving on to considering how we can apply this to the capitalist global political economy in chapter six.

5. Non-capitalist social formations

In this chapter we apply Marx's historical materialism to three historically specific social formations: feudal Europe of the 10th to 13th centuries, classical Islam from the period of Muhammad's successors to the Abbasid Caliphate (c.632-1258), and China under the T'ang dynasty (c.618-907). These studies confirm two essential arguments elaborated in the last chapter. First, historical materialism is revealed as a viable method for the study of social exclusion within historical social formations. In each case our method highlights the production of social exclusion within the central institutions and structures of the social formation, rather than offering a simple description of being external to them. Second, these cases are so distinct from the modern world that in their light the idea of a natural market and natural patterns of social organisation within some form of market society must be considered false. We consider this in more detail in chapter six section one.

5.1. Feudal Europe

Just as the actions of natural things proceed from natural powers, so do human actions proceed from the human will. On natural things it behooved the higher to move the lower to their actions by the excellence of the natural power bestowed on them by God: and so in human affairs also the higher must move the lower by their will in virtue of a divinely established authority. Now to move by reason and will is to command. Wherefore just as in virtue of the divinely established natural order the lower natural things need to be subject to the movement of the higher, so too in human affairs, in virtue of the order of natural and divine law, inferiors are bound to obey their superiors.

Thomas Aquinas (2006, II-II, Question 104, Article 1)

Feudal Europe as a social formation stands distinct from the Middle Ages and Medieval period as a whole. Whereas the Middle Ages can be divided into Early, High and Middle, stretching in some estimates from the eighth to the sixteenth centuries, the defining characteristics of feudalism discussed here were present in full only between the tenth and thirteenth. In turn, these features were limited to only certain parts of Europe, broadly speaking the lands of the former kingdom of the Franks (France, parts of northern Italy, western Germany, the low countries), those conquered by the Normans (England, parts of southern Italy), those areas targeted by migrants during this period and shortly after, particularly eastern

Germany, and the Levant when conquered during the Crusades (Van Caenegem 1988:203). Feudalism proper consisted of, first, a peasantry subject to rule by a class of landowners who doubled as a specialised class of warriors; second, binding ties of obedience from the former and obligations of protection from the latter; third, the widespread use of a fief over a salary as a method of payment because market transactions were few and metal coinage was thereby sparse; and fourth, the fragmentation of authority among sovereign, Church, and nobility (Bloch 1965:443-6). Identity was constructed with little distinction between the individual and the community (Black 1988; Buc 2001:203). Towns and urban life were not part of it; their prominence came later as a result of the breakdown of feudalism. Despite existing generally under the same royal authority as the countryside, the obvious exceptions being the city-states of northern Italy and the *Hanse*, as discussed by Tilly (1975), they grew not within feudalism but through the incorporation of peoples excluded from feudal relations and through the operation of the mercantile dynamic, which we will return to later.

Paul Anderson characterises the feudal mode of production as a complex unity dominated by the land, in which neither labour nor the products of labour were commodities (1974a:147-8). Instead the peasant, the direct producer, was tied to the land, the means of production, by the specific social relationship of serfdom, defined in law as *glebae adscripti*, 'bound to the earth' (1974a:147-8n). Agrarian property was not owned by peasants but by a class of lords who extracted their surplus by 'polito-legal' relations of compulsion, taking the form of labour services, rents in kind, or customary dues owed to the individual lord by the peasant. Anderson describes it as 'a juridical amalgamation of economic exploitation with political authority.' In other words, these relations were characterised by an 'extra-economic' mode of surplus extraction. The political and legal superstructure took the form of a vertical hierarchy from the monarch – *dominus rex*, the 'lord-king' (Warren 1987:9) – down to the peasantry. The peasant was subject to the jurisdiction of the lord, universally male. Above the lord was a superior noble, or nobles, to whom he would owe knight-service in wartime. The liege lord, the lord to whom primary allegiance was owed, would in his turn be the vassal of a further superior noble, and the chain of such dependent tenures linked to military service extended upwards to the royal apex. This system is summarised as the 'parcellization of sovereignty', where the functions of the state were not centralised but disintegrated down the hierarchy, and where at each level political and economic relations were integrated.

5.1.1. *The Church*

In Medieval Europe, according to R.W. Southern, 'Church and society were one,' a unity which came to be known as Christendom (1970:ch.1). In accordance with the complex goals and limits taken from Scripture and the Church Fathers, the Church penetrated all levels of the structure of parcellized sovereignty. It competed with others for the rights to surplus and over what these rights were. It dominated by maintaining its position as the 'Catholic,' or universal, Church such that it alone could administer salvation, by the use of Latin as an exclusionary language (Bartlett 1994:18-9, chs.8-9), by being the primary source of learned personnel for the bureaucracy of kings and princes (Pirenne 1936:8,13-4), by the extension of papal powers (Bartlett 1994:245-50), through the building of cathedrals, churches and abbeys (e.g. Stenton 1965:218), and through its unique hold on the supernatural through relics and symbolic ritual. Through its position the Church reified the landed social order to make it appear sacred and unchanging, defined which groups were included in this order (and thereby which groups were excluded from it) and defined the male conception of women and thereby their role within the social formation. According to Henri Pirenne:

The Church's conception of the world was admirably adapted to the economic conditions of an age in which land was the sole foundation of the social order. Land had been given by God to men in order to enable them to live here below with a view to their eternal salvation. The object of labour was not to grow wealthy but to maintain oneself in the position in which one was born, until mortal life should pass into life eternal. The monk's renunciation was the ideal on which the whole of society should fix its gaze. To seek riches was to fall into the sin of avarice. Poverty was of divine origin and ordained by Providence, but it behoved the rich to relieve it by charity, of which the monasteries gave them an example. (1936:13-14)

The Church made sacred and thus reproduced the feudal order of personal dependence. Its spiritual rationale was bound up with the material: its estates were superior to those of the whole nobility, so much so that along with Christianity the Church extended Roman property law and the manorial system throughout Europe to ensure property rights and social order on its own terms (Fouracre 2001:370-1; Pirenne 1936:8,13-4). This led directly to the exclusion of groups which did not adhere to Roman property law, such as in Ireland (Bartlett 1994:21-3). Infused throughout Aquinas' *Summa Theologica* was the idea of the

divinely-appointed 'order', the social hierarchy, a creation of Providence. And this 'truth' was to change as material conditions changed over time. According to Adalbero of Laon (d.1030), for example, '[t]he City of God which is thought to be one entity, is divided into three: some pray, others fight and others work' (quoted by Fourquin 1978:40-4). This became the foundation for centuries of future classifications, to dissolve only with the emergence of new divisions of labour in the towns, leading to the estate of women (Duby 1980:354-6; Shahar 1983:1-2).

The Church played the decisive role of determining which groups were included in Christendom: only obedient believers who conformed to its tenets of faith and accepted their part in the feudal relation could be a part of the social hierarchy of serfdom, lordship and homage, agreed contractually through infant baptism. Outsiders held, at best, very limited rights, such as Jews; at worst, not even the right to live, such as heretics (Southern 1970:16-8). Merchants, too, suffered in this way through their association with money, at least until the Church began to depend upon the wealth and authority of commercial towns. The survival of these groups depended upon their securing patrons or in their emigration to the towns or to lands outside of the Church's feudal order (Warren 1987:9). There was also an ethnic component to this inclusion: the members of Christendom were not Arab Muslims, nor eastern Orthodox believers, nor pagan barbarians: in sum, they were not a part of 'heathendom,' Christendom's other (Bartlett 1994:251-2).

In turn, the Church had a particular role in defining the male conception and social expectations of women. In this the nobility also played its part. According to Eileen Power, '[i]n both the ecclesiastic and aristocratic traffic of ideas the position of women was perpetually shunted between pit and throne...Janus-faced, [the Church] looked at women out of every sermon and treatise, yet never knew which face to turn on her. Who was the true paradigm of the feminine gender...Eve, wife of Adam' – sinner, temptress – 'or Mary, mother of Christ?' (1975:14). Here Ruth Karras reminds us that due to the teachings of the Church women were held to blame for sexual sin (2001). In either sense she was not a person in her own right but only in relation to the male, and this translated into her exclusion from homage and the social hierarchy. Her access to the social formation was mediated through her husband or father; only in her husband's absence could she assume an active role in public life (Shahar 1983). In all things she was inferior and subject to men (Power 1975:10). Her only possible course of

resistance was through the Church itself, to enter into a life of spiritual reclusion (Cohn 2004:11-2).

5.1.2. *Serfdom, homage, vassalage*

Following the work of Marc Bloch, to give homage was to become the 'man of another man' (1965:145-7; Warren 1987:10). It emerged as a one-off act which could not be reversed; over time it became hereditary. Homage was the central social institution uniting all those included in feudal relations: it divided everyone into 'lord' and 'man', for in the case of serfs the lord owned the rights to the economic surplus of those paying homage; nobles, on the other hand, were obliged to offer themselves and a set number of men for military service. First we will consider the distinctions between and among slaves and freemen which determined inclusion and rights to surplus; second we will consider the long shift from slavery to freedom to homage, considering vassalage as a particular form of homage, to show that change was driven by the competition over surplus within feudalism, a process which favoured the lord over the labourer, whether slave, tenant or serf.

The clearest social distinction made by people in the Middle Ages was that between free men and slaves. In law the slave was 'the chattel of the master, who had the unrestricted disposal of his person, his labour, and his property' (Bloch 1965:255-6). As an 'alien being' the slave had no legal rights and was considered outside the ranks of the community. In practice, however, there were many distinctions among slaves. Those who were employed in the lower forms of domestic service continued to be regarded as 'human cattle'. The 'tenant-slave', on the other hand, became almost indistinguishable from free tenants, with his own dwelling and rights to a proportion of his own produce, although still with the burden of his lesser legal status, at least until the norm of the 'custom of the manor' became more prominent than that of slavery. Lastly, certain slaves served lords as armed retainers, and the prestige of arms ensured for them a social rank far outweighing any social stigma attaching to their status.

From the Merovingian era onwards the meaning of freedom was to be able to freely give allegiance to a lord in order to enjoy welfare and legal rights and military protection; this initially excluded slaves and their descendants who were bound to their lords from birth, although later this was blurred when serfdom

became hereditary also (Bloch 1965:149). Within the body of free men, the first distinction depended on wealth. He who could not afford to enter into the army when requested was at most only a 'free man of the second order'. The second was between tenant and lord. The tenant of the ninth century remained legally free, in that he took the oath of fealty to the sovereign and had the right to attend judicial assemblies; yet in practice, with the breakdown of security, he was tied above all to his lord, particularly in terms of military service and legal matters. Therefore in many matters he was indistinguishable either from tenant-slaves or from men who were too poor to fight, depending on circumstance (Stenton 1965:256-8). These various distinctions created sharp lines of exclusion from rights to surplus depending on legal status and property ownership.

From the later Roman Empire there had been mass enfranchisements of slaves which continued through the Carolingian era (Bloch 1965:258-60). This was encouraged by lords in response to, first, changing productive relations in which the extraction of rents and services produced much more surplus than the direct exploitation of vast estates; and, second, in their ever-pressing need for surplus, towards which protection extended over free individuals proved much more effective than the possession of slaves with no legal rights. The shift from slave to freedman meant little to workers of the land. In general, ninth century Frankish enfranchisements entailed no better outlook for the recipient than the shift from the bondage of slavery to the bondage of serfdom, known as *cum obsequio*, 'owing obedience'. Both slavery and serfdom were a political means of compulsion; their spread and deepening led to greater access to surplus for masters and lords.

We now shift our attention to the particular form of vassalage in which military service as opposed to the land was most prominent, as this shows how homage evolved due to material factors during the feudal period. Ties of personal dependence arose where the collapse of Roman rule led to insecurity through violence. In Merovingian Gaul neither the state nor the family could provide adequate protection for all; the village community could barely maintain order within its own boundaries. The result was that the weak sought protection from those more powerful, who in turn could not maintain their prestige, fortune or safety except by securing for himself the support of subordinates bound to his service. This protection extended by the powerful was termed *mairbour* in medieval France. This occurred throughout the social hierarchy, such that all eventually occupied a dual role, as dependent upon a more powerful man and a

protector of humbler ones, and led ultimately to 'a vast system of person relationships whose intersecting threads ran from one level of the social structure to another' (Bloch 1965:148). Once the Carolingian aristocracy had attained power through their long struggle against the former royal house by surrounding themselves with bands of armed dependants and imposing their *maimbour* on lesser chiefs, they discovered that the prior institutions were inadequate to cement their rule and secure rights to surplus, and thus instituted the relations of personal dependence which had characterised their rise (Bloch 1965:157-60).

Vassalage took its feudal shape after the collapse of the Carolingian state, an era of violence in which once again security was the main concern of the weak and the strong, each of whom looked to the other for deeper ties (Bloch 1965:160-2). There arose a split between those who worked the land and those who did not. The latter were vassals, while the former had descended 'imperceptibly' into serfdom. They became hereditarily tied to the land; in other words they were no longer free to choose their own ties of personal dependence. This distinction, along with those revealed by our look at the manor (below), is one example of how homage was based upon rights to surplus from the land. Serfs did not own the produce of their labour. Instead, the rights to this surplus were divided according to the position in this social hierarchy, with lords receiving greater rights the more numerous their vassals. The driving force throughout, according to Bloch, was the necessity of the moment, where each sought survival, and in doing so strove to accumulate what he could from the existing social structure. Competition among the lords and nobility led to the increased extraction of surplus and thereby a reduction in rights over surplus for those at the bottom of the hierarchy.

5.1.3. *The manor*

The dominant social institution in the countryside which tied people to the land was the manor (*seignurie*), often part of a great estate centred on the residence of the landowner, possibly a cathedral, church, abbey or castle. Its land was divided into three parts: demesne, of which the produce was taken directly by the lord; tenements, of which a proportion of the produce was owned by the peasant to whom it was allocated; and a mix of commons, forest and wasteland which could not easily be cultivated. The property rights of the lord took three

forms: first, his demand for a new investiture every time they changed hands; second, the right of full ownership in case of default of heirs or by lawful confiscation; third and most importantly, the right to impose taxes and demand services of the serfs (Coleman 1988). In the absence of money to pay farmers to work the land, a widespread difficulty from the late Roman Empire onwards, the obvious payment was the right to keep a proportion of the surplus they themselves produced, both from the land and from handicrafts. It was, therefore, a development based on the material reproduction of the surplus in favour of those who owned the rights to its distribution. Those who owned no land and no rights to land, and who had no other means such as those available in the towns, found themselves excluded from this order with only the commons to live from (Bloch 1965:241-2; Pirenne 1936:59-62). This is visible in the historical development of the manor.

By the Carolingian era the manor had, but for 'small islands of independence' become universal across those parts of Europe in which the institutions of the Roman Empire had reorganised rural society. The shift occurred in two ways: first, through the vast *latifundia* which had been worked by slaves but ceased to be profitable under direct exploitation, being parcelled out to former slaves and others willing to take up cultivation; and, second, from the accommodation of countless peasant farms which had previously owed their rents and compulsory services to their village chiefs (Bloch 1965:242-3). In the ninth and tenth centuries this process deepened, involving a fusion of different forms of tenure, the acquisition of new powers by lords, and centralisation of ownership among powerful individuals. The primary method of expansion was by virtue of contracts, inviting individuals or sometimes whole villages to enter the protection of a lord in return for an obligation of service on newly formed manors. The lord represented these agreements as entirely voluntary, exalting the merits of protection, yet invariably he abused his position of power both once initially agreed upon and afterwards when he felt the agreement unsuitable (1965:244-8). The pattern of exclusion was being rearranged according to land rights.

Contracts between lord and tenant, where they existed, were in practice quickly forgotten and the relationship was in most instances regulated only by the 'custom of the manor', which was considered to be unchanging and ancestral (Bloch 1965:248-53). In reality, however, this was deceptive: 'although they were linked together through the ages by a supposedly unchanging custom' - as has been the long-held conception - 'nothing was less like the manor of the ninth

century than the manor of the thirteenth', writes Bloch. This was the case even though such custom often took the form of the legal contracts they had replaced. The reason, according to Bloch, was that the pressure of material conditions was stronger than respect for the past. Peasants lost their privileges, rights and legal status whenever lords felt it necessary to change the status quo to their benefit. Thus the percentage of freeholds in the Chartres area fell from 80% between 940 and 1030 to 8% 1090-1130; in Catalonia from 80% at the end of the tenth century to 25% in the last quarter of the eleventh (Van Caenegem 1988:196). In most cases passive resistance by the peasants and inefficient management were the only things standing in the way of abuses of power. Every so often a peasant revolt would break out due to grievances over the bad customs, but these were exceptional (e.g. Cohn 2004:25, 26-30, 36-40; Fourquin 1978). The ultimate result was that the tenant at the end of the twelfth century was expected to make compulsory payments to the lord, consisting of tithe, tallage and *banalité*, all of which had been alien to the tenant of the ninth century; and in return he received only an uneven and at times negligible acceptance of compulsory obligations from his lord, obligations which had once been laid down as sacrosanct.

The manor comprised its own social, political-economic, judicial and religious world centred on a chapel or church built by the lord. The lord exercised juridical authority over his serfs and other tenants, such that 'each manor had its court, composed of peasants, presided over by the bailiff...and giving judgement according to "the custom of the manor"' (Pirenne 1936:63). Landowners, in various circumstances, exerted the *bannum* – the right to command – and the *justicière* – the responsibility for the administration of justice (Van Caenegem 1988:195). In England this operated as Courts of Shire and Courts of Hundred, which judged according to customary law (Stenton 1965:135-7). Such authority deepened over time and increased both the control of lord and Church over surplus and, as Pirenne notes, the serf's dependence on the lord.

From the twelfth century onwards the rules of the manor were increasingly written down, partly due to the spread of education, but more importantly due to changes in social life. First, in response to the demand for land clearances which were spreading across Europe, written manorial constitutions were required to promise pioneers favourable conditions. In turn, these then forced the older manors to adopt similar lighter burdens in writing so as not to lose people to the newer manors (Bloch 1965:ch.20). The result of such moves was the shift towards the regularisation of obligations. This and other factors, especially the growth of

commercial towns, led to the decline of the seigniorial system, particularly, as Pirenne notes, in Lombardy, Tuscany, northern France, Flanders and the Rhineland. The result was the end of production for use and instead the specialisation of cultivation to match market demand: 'everywhere where export could be depended on, the soil was farmed for what it was suited to supply best and most cheaply,' ultimately undermining both the rigid and static manorial system and the economic rights of serfs (Pirenne 1936:84-6; see Pounds 1994:207-8). The same driving force behind the evolution of the manor and seigniorial rule – competition over surplus – led in turn to its demise once markets began to dissolve the feudal relations of the countryside.

5.2. *Classical Islam*

It should be known that differences of condition among people are the result of the different ways in which they make their living. Social organization enables them to cooperate toward that end and to start with the simple necessities of life, before they get to conveniences and luxuries.

Ibn Khaldūn (2007:ch.2 sec.1)

This section will examine the classical period of Islam, from the era of the *Rashidun* – the first four successors of Muhammad – to the Abbasid Caliphate (c.632-1258). Our interest lies first in the period of Islam's initial expansion, which was founded on what we will call the pillage mode of production. Our second period is that of the Umayyad and Abbasid caliphates, from the start of the eighth century to the middle of the tenth. Over this time we observe the change towards a wealthy few sustained in their material splendour and scientific and philosophical achievements by a huge number of slaves and disenfranchised poor within a tributary hierarchy. Our major source will be the North African philosopher and historian Ibn Khaldūn (1332-1406), and in particular his materialist study of the history of Islam, the *Muqaddimah*.¹

¹ Rosenthal's translation uses brackets where direct translation was not possible. For ease of reading these have been removed here.

5.2.1. Arab expansion

Muhammad was the tribal leader of the *ummah*, or community, of Medina. During his life and after his death his revelations, which he recorded in the Qur'an, were the main source of truth within the rapidly spreading *ummah*, a concept the Qur'an expanded to include the whole of Islam. Social truth was founded upon this revelation. According to Ibn Khaldūn, '[j]urisprudence is the knowledge of the classification of the laws of God, which concern the actions of all responsible Muslims, as obligatory, forbidden, recommendable, disliked, or permissible. These laws are derived from the Qur'an and the [traditions], and from the evidence [Muhammad] has established for knowledge of the laws' (2007:ch.6 sec.12). This truth was interpreted and presented first by Muhammad, later by the *Rashidun*, and third by the *ulama*, religious scholars who supported the caliphs and their urban patrons. This process reified the decisions of the former generations as eternal truth, and was continued in the pursuit of leadership of the *ummah* (Lambton 1981:1-4). First, Islam employed particular social groups for its purposes, particularly the Bedouin Arabs for its expansion beyond Arabia, as we will see below (Braudel 1993:53). Second, classical Arabic was 'made and remade' in the later cities of Islam to become 'a learned, artificial, literary language which became the idiom common to all Islamic countries[; it] was not only a language: it was also a literature, a philosophy, a fervent universal faith and a civilization.' In both instances it was truth which determined who was excluded from membership of the *ummah*, and thereby access to and rights over surplus (Braudel 1993:71-2; Vaglieri 1970:91-2). As in feudal Europe, truth, only ever interpreted by a tiny minority, defined all other areas of life.

Between 633 and 656 Muslim Arabs conquered and extended the *ummah* to Syria, Babylonia, Persia and Egypt (Hodgson 1974a:205; Ashtor 1976:9). Supplying armies of thousands of Bedouin and other Arab troops and cavalry would have been impossible without a thriving mode of production; but here we face the dilemma that Mecca and Medina, the springboard for this conquest, were not in themselves rich in agriculture or trade. Instead, we must turn to the self-sufficient organisation of the Bedouin tribes, each of which had been, in essence, an independent *ummah*. In a land with insufficient surplus to go round, distribution had for centuries been governed by the *ghazu*, widespread tribal raids in which the members of one tribe, or *ummah*, 'would attack a caravan or contingent from a rival tribe and carry off booty and livestock, taking care to

avoid killing people since this would mean a vendetta' (Armstrong 2002:19). Those tribes with the capability and opportunity to win out in this pillage did so; the weaker either found patrons or did not survive. This practice, their major source of surplus, became forbidden once the spread of Islam throughout Arabia united the tribes into a single *ummah*, as Ibn Khaldūn describes:

because of their savagery, the Arabs are the least willing of nations to subordinate themselves to each other, as they are rude, proud, ambitious, and eager to be the leader. Their individual aspirations rarely coincide. But when there is religion among them through prophecy or sainthood, then they have some restraining influence in themselves. The qualities of haughtiness and jealousy leave them. It is, then, easy for them to subordinate themselves and to unite as a social organization. This is achieved by the common religion they now have. It causes rudeness and pride to disappear and exercises a restraining influence on their mutual envy and jealousy. When there is a prophet or saint among them, who calls upon them to fulfill the commands of God and rids them of blameworthy qualities and causes them to adopt praiseworthy ones, and who has them concentrate all their strength in order to make the truth prevail, they become fully united as a social organization and obtain superiority and royal authority. (2007:ch.2 sec.26)

The expansion of Islam undertaken by the Arabs thus took place under what might be termed the 'pillage mode of production', as defined in Justin Rosenberg's analysis of Spain's medieval *Reconquista* (1994:108-20).² Islam forced the tribes to find a new source of surplus; they did so by taking their existing practice of *ghazu* into neighbouring lands, by dividing the world into *dār al-islām*, the abode of Islam, and *dār al-harb*, the abode of war, open for conquest (Lambton 1981:201). As Ibn Khaldūn explains:

All the customary activities of the Arabs lead to travel and movement. This is the antithesis and negation of stationariness, which produces civilization. For instance, the Arabs need stones to set them up as supports for their cooking pots. So, they take them from buildings which they tear down to get the stones, and use them for that purpose. Wood, too, is needed by them for props for their tents and for use as tent poles for their dwellings. So, they tear down roofs to get the wood for that purpose. The very nature of their existence is the negation of building, which is the basis of civilization. This is the case with them quite generally.

Furthermore, it is their nature to plunder whatever other people possess. Their sustenance lies wherever the shadow of their lances falls. They recognize no limit in taking the possessions of other people. Whenever their eyes fall upon some property, furnishings, or utensils, they take it. When they acquire superiority and

² Rosenberg's argument is worth restating here. Spain's seven-century struggle for the 're-conquest' of the Iberian peninsula from the Moors determined the unique character of their social formation. It consisted primarily of the pillage mode of production: their towns were military and religious centres based around the marshalling of resources for use against the Moors, such that the material and political reproduction of Castilian social order was organised around permanent military mobilisation, continuous plunder, and the task of incorporating and settling new lands inhabited by non-Christian populations. When the *Reconquista* completed its task with the conquest of Granada in 1492, their means of reproduction - access to surplus - were no longer available on the mainland; instead this element of the social formation turned to the Americas where they reproduced the social institutions of the *Reconquista* to imagine, organise and legitimate their conquest and plunder in the creation of New Spain.

royal authority, they have complete power to plunder as they please. There no longer exists any political power to protect property, and civilization is ruined. (ch.2 sec.25)

Such pillage gathered particular momentum under the second caliph, Umar ibn al-Khattab (Armstrong 2002:27-8). It led ultimately to the spread of Islam to Andalusia in the West and to India in the East (see Hall 1996:chs.7,8). The raids of the Bedouin Arabs drove the growth of the social formation; their lordship implemented the tributary mode of production which was already present among the settled farmers of Medina and their other territories, and which was to sustain the Umayyad and Abbasid Caliphates as discussed below. They were also the makers of the distinction between Arab Muslims who could rule, and non-Arab Muslims who could not; this only ended under the Persian Abbasid Caliphate. When future conquests were no longer possible due to geography, the Bedouin who had not been absorbed into the cultures of the conquered were driven back into the desert, back to their nomadic life of plunder (Lombard 1975:15-6; Khaldūn 2007:ch.2 sec.24).

The *ummah* separated Muslim from non-Muslim. The Qur'an contained provision for *ahl al-kitāb*, 'people of the book', initially extended only to Jews and Christians; later also to Zoroastrians, Buddhists and Hindus; but rarely to pagans. This was the most significant of all distinctions in Islam; only non-Muslims could be slaves, for example (Black 1999:27; Lambton 1981:203-7; Von Grunebaum 1953:177). *Ahl adh-dhimma*, 'people receiving protection,' (or, individually, *dhimmi*) were defended against external enemies and local crime in return for payment of an annual communal tribute and an individual poll-tax. At first they were made to pay more than Muslims, but at the beginning of the eighth century conversions to Islam became so widespread to avoid these taxes that, mixed with the associated practice of abandoning the farm for the city, they created a farming and agricultural crisis; some Arab Muslims who lost out even prevented such conversions by force before the matter was resolved by the caliph (Vaglieri 1970:89-91; Von Grunebaum 1953:181). Those who were neither Muslim nor *dhimmi* were wholly excluded from the *ummah*, while, according to W.M. Watt, the *ahl adh-dhimma* were second-class citizens: they could not fight or carry arms, they were in some places required to wear particular clothes to make clear their status, and they were generally not allowed to hold high office (1974:46-52). On the one hand the *ahl adh-dhimma* were to a large degree included within the Islamic social order of freemen, such that many became successful merchants and

scholars; on the other they were excluded from determining the distribution of surplus except by their personal wealth and rank (Lombard 1975:205-17; Von Grunebaum 1953:180).

There were two main movements against divisions of race and religion present in the *ummah*, both of which limited membership rights. The first was the *Khawaridj*, which began in 658 as a small group opposed to arbitration as judicial practice and the contention that only Arabs could become caliph: instead they held that any pious Muslim should be allowed to hold the post, and that any transgression of the law of Islam should lead to his deposition. Over time these were broadened such that they proclaimed the equality of races within Islam, and it became a considerable movement across the Muslim world which generated many individual revolts, especially around Basra. Arab superiority within the *ummah* was clearly seen as unjust exclusion against the tenets of Islam. The second was the messianic revolt of al-Mukhtar ('the chosen one'), centred on Kufa and beginning in 685. He proclaimed both the racial equality of the *Khawaridj* and also Qur'anic egalitarianism which he claimed was significantly lacking within the *ummah* as social stratification began to take hold, especially in the cities (Ashtor 1976:30-5). Both were rejections of the traditional *ummah* by the excluded.

Islam was at the hub of world trade in the late first millennium, bringing together the production of Europe, the Far East and Africa (Braudel 1993:62; Lombard 1975:217-33; Ashtor 1976:100-9). Ibn Khaldūn thus notes the centrality of merchants in Islamic society: 'an old merchant said to a person who wanted to find out the truth about commerce: "I shall give it to you in two words: Buy cheap and sell dear. There is commerce for you"' (2007:ch.5 sec.9). Once urban merchants realised the potential advantage the spread of Islam would have for their trade they allied themselves with the Bedouin and provided the various tribes with money and provisions. The most powerful clan, the Umayya, supplied the Bedouin with arms and supplies and allowed them to keep their booty, all the while taking control of the key trading cities, particularly Damascus from where they later ruled as the Umayyad Caliphate (Lombard 1975:15-6). Later, merchants formed the first trading and banking companies. 'The merchant-cum-contractor founded industries, provided work, supplied the raw materials, advanced the money, and undertook to find an outlet for the products. He was adventurous, he struck out into foreign lands and reached the Sudan, where he traded gold for salt and trinkets, loading his camels to capacity. He reached the Indian Ocean too,

where...he bartered his wares over and over again' (Lombard 1975:147-8). Braudel considers that Islam was 'above all a civilization based on movement and transit,' where merchants had knowledge of every method of credit, payment (even despite the Qur'anic rule against usury, as in later Christendom), and trade association (1993:63-4; see Hodgson 1974b:72-3). When it came to law, merchants had such power that *istihsan*, juristic preference in favour of commerce, became dominant through the *Hanafite* school of law. Despite its prominence, however, mercantile wealth was seen as avarice when it came to determining leadership of the *ummah*: taxes and quite often *musadara*, arbitrary contributions, were demanded of them (Ashtor 1976:111-4). As we will see below, wealth became a key mark of inclusion in the *ummah*.

5.2.2. Umayyad and Abbasid Caliphates

Once the *ummah* had ended its period of expansion and the caliphate had emerged the attention of the new Arab overlords turned to administration, particularly in areas of agriculture. They had, by and large, imposed their rule by adapting to the existing systems of rule and taxes, but over time they reformed these various administrative structures to be fiscally maintained by two taxes: the *Kharaj*, a land-tax; and the *Jizya*, a poll-tax (Cahen 1977:514; Watt 1974:51). Across Islam the Arab elites created what Eric Wolf has defined as the tributary mode of production: the extraction of surplus from primary producers by political or military means to be redistributed by mercantile wealth (E.R. Wolf 1982:79-88). This political, military and mercantile superstructure took the form of a single Islamic social hierarchy, the *ummah*, held together by patronage and centred upon the urban population (Khaldūn 2007:ch.2 sec.28). Exclusion meant being wholly dependent upon the patronage of a member of this hierarchy for survival and material reproduction. Unlike in feudal Europe, surplus was redistributed via markets because there was no shortage of the supply of metal for currency (Lombard 1975:ch.5). The military was not the landed elite, but instead a semi-professional or slave standing army, which was a direct agent of its patrons (Cahen 1977:534-5; see Parry 1977). Agricultural and urban labour took the form of independent households, tenants and slaves; no one form dominated the others (Van Grunnebaum 1953:176). Peasants were not tied to the land and made serfs with any consistency because of the ease of migration and flight in the face

of harsh conditions and the lack of enforcement; instead the ties often took money form, such as credit given out to impoverished landlords who had no other means of meeting an upcoming tax levied upon them (Hodgson 1974b:80,93; Ashtor 1976:67; Lombard 1975:151). The two main sets of distinctions were, first, those within the *ummah*, particularly mediated by patronage; and, second, the lines of exclusion which determined its membership: of these we have already considered religion and wealth, which were by this period well established; here will here examine the urban household, gender and slavery.

Within the *ummah* was the *khassa wa'umma*, the distinction between elites and the masses which determined access to surplus. By this period many divisions had been added to those according to religion and wealth. 'Muslim society of the great age was stratified according to a number of incompatible criteria. Position might be owed to membership in an aristocratic family of Arabic, or perhaps of Persian or even Jewish or Turkish, background. Among the Arabs nobility would derive from relationship to great tribal leaders of past or present or else to the household of the Prophet in any of its ramifications...Money...played its customary part. Education opened the doors of the great to the ambitious poor, and it was a prerequisite for public office...Political influence, military power, administrative rank, wealth, birth, and schooling, in every possible combination, strengthened or counteracted one another in assigning a given individual his place in society' (Von Grunebaum 1953:211-2). According to Ibn Khaldūn, the key to these myriad distinctions was that patronage determined access to surplus, both for the patron and the client:

Each class among the inhabitants of a town or zone of civilization has power over the classes lower than it. Each member of a lower class seeks the support of rank from members of the next higher class, and those who gain it become more active among the people under their control in proportion to the profit they get out of it. Thus, rank affects people in whatever way they make their living. (2007:ch.5 sec.6)

And elsewhere:

We find that the person of rank who is highly esteemed is in every material aspect more fortunate and wealthier than a person who has no rank. The reason for this is that the person of rank is served by the labor (of others). They try to approach him with their labor, since they want to be close to (him) and are in need of (the protection) his rank affords. People help him with their labor in all his needs, whether these are necessities, conveniences, or luxuries. The value realized from all such labor becomes part of his profit. (2007:ch.5 sec.5)

Other than the caliphate, the highest position in this social hierarchy was the leadership of the local *umma*. Within each community this was determined within the *a'yan* system of notables, which had emerged from the struggles of local elites to wrest rights over surplus away from the caliph and keep them in the cities. It was supported by *shari'a* law, which reflected the urban bias both in the Qur'an and of the religious scholars who were responsible for its interpretation (Braudel 1993:50; Hodgson 1974b:119; Von Grunebaum 1953:173-4). As for membership of the *a'yan*, 'Among the notables would be included any men who for their wealth or personal achievement, their seniority, and even their descent, to a certain degree, as well as for particular office, were known and respected' (Hodgson 1974b:112-5). Thus rights over surplus were concentrated at the apex of the social hierarchy within each local Islamic community.

Within the wealthy urban household lived a wide variety of classes, from slaves and women up to the male head. Apart from his male relatives and dependents, all members of the household existed within the private sphere, particularly women and slaves. At the lowest rung belonging to one of these households meant a hard life of labour in return for subsistence; at the highest it meant controlling the running of the household and its inhabitants. Male slaves were employed by the head foremost in the operation of his commercial interests (Hodgson 1974b:140-6). Eunuchs, despite being denounced in Qur'an, were among the most expensive slaves for their role in guarding the wives and daughters of the wealthy (Von Grunebaum 1953:175-6). Women could only rarely enter into public life; in most instances they were limited to the physical boundaries of the property (Black 1999:26-7; Waddy 1980:ch.6). According to Hodgson, this developed from simple segregation because the foundation of social status rested so heavily on male honour, such that '[o]ne can sometimes get the impression that the most important source of an individual man's personal reassurance was his absolute control over his womenfolk. A woman's "honour", her shame, formed an important point in determining the honour of her husband, or otherwise her father; indeed the gravest insult to a man, which most insistently abridged his right to precedence and called for vengeance, was any impugning of the honour of his womenfolk.' Sex itself was considered an act of domination (Hodgson 1974b:140-6).

Slavery was a major source of labour in this period of Islam. The slave-trade was a massive undertaking which imported thousands from Slavic Europe, the steppes of central Asia and the *Zanj*, or black Africa, which in turn brought in

huge profits. For example, three censuses carried out under Abd ar-Rahman III showed an increase of 10,000 slaves in Cordoba between 912 and 961 (Lombard 1975:198). Work on plantations and mines was undertaken under the coercion of their masters, and in the towns slaves worked among free labourers. They were employed in vast numbers as soldiers, the reason being that slaves, plentiful in number, were not under any fragile tribal allegiance such that discipline was easier to uphold. For example, Turk slaves were in action from the time of the Abbasid Caliphate; the later Mamluk dynasty of Egypt was named after the slaves it originated with (Black 1999:27; Lombard 1975:194-203). The extent of their exclusion was exemplified by Basra's *Zanj* slave revolt of 869 to 883, led by Ali b. Muhammad. It occurred due to the hardships and exclusion of slavery, though despite its fourteen years it did not take hold permanently because the vast majority, who had some stake in the patronage of social hierarchy, were in the end too dependent upon it for their livelihoods (Ashtor 1976:115-21).

5.3. *T'ang China*

'Why...should you think,' said Mencius, 'that someone who is carrying on the government of a kingdom has time also to till the soil? The truth is, that some kinds of business are proper to the great and others to the small...True indeed is the saying, "Some work with their minds others with their bodies. Those who work with their minds rule, while those who work with their bodies are ruled. Those who are ruled produce food; those who rule are fed." That this is right is universally recognized under heaven.'

Mencius (quoted by Waley 1939:187)

According to Balazs, Imperial China was a 'permanently bureaucratic society.' He identifies its key social structures, or 'permanent features,' which will form the basis of our study (1964:15-9). First, China was a large agrarian society based on isolated peasant families and village communities connected by a system of waterways (Fairbank & Goldman 1992:17-23); they were self-sufficient, 'but without the system of economic exchanges and the organizational framework imposed from above, they would have disintegrated.' In other words their survival depended upon a centralised state. Second, it was a bureaucratic society, led by scholar-officials, or *mandarins*, known collectively as the Gentry: this class, 'numerically infinitesimal but omnipotent by reason of their strength, influence, position and prestige, held substantial power and landholdings,' doing so by its monopoly of the socially indispensable function of 'coordinating and supervising

the productive labor of others so as to make the whole social organism work.’ They were united by uniform salaries, landownership, style of life, education and Confucianism. Third, at its head was a despotic state; ‘hierarchical, authoritarian...paternalistic yet tyrannical’. Private organisation was illegal and justice was arbitrary: even the Gentry were vulnerable as individuals. Fourth, Confucianism as state ideology: ‘The virtues preached by Confucianism were exactly suited to the new hierarchical state: respect, humility, docility, obedience, submission, and subordination to elders and betters;’ these virtues created the standards of inclusion and exclusion in the social hierarchy. The other central feature we will consider is the prevalence of peasant revolts, which occurred primarily over rights to the distribution of surplus within the social hierarchy (Balazs 1964:156-9).

Imperial China may have existed from the Qin to the Qing dynasties, in other words from c.220BC to 1911AD if we disregard its many periods of interregnum and dynastic conflict, but its timelessness is a Western myth perpetuated from the Greeks onwards (Anderson 1974b:463). Instead the historically specific Chinese social formation was awash with change through conflict over the rights to surplus. Although we will centre our study on the T’ang dynasty, 618-907, much of our discussion will run backwards through the Sui and forwards through the Song dynasties so we can see clearly this long-run change.

Among these social structures the key relationship was between village and state. A proportion of the surplus produced from the land was extracted by political and religious coercion as tribute to those controlling the state, but in return villages received security and irrigation, among other provisions. The social hierarchy was maintained by the Gentry, especially, as we shall see, through its control of the state. The tributary mode of production of T’ang China was based on a host of subordinate relationships within this hierarchy: state allocation of land to free peasants in return for tax and military service; direct state and aristocratic subjugation of tenants and slaves; foreign elites dominating Chinese peasants; along with exclusion from this hierarchy for those outside the village-state relationship (see E.R. Wolf 1982:79-82). This was held together by the dependence of the peasantry on a centralised state: in the long-run multiple loci could not handle the challenges of canal-building and irrigation,³ defence against

³ The theory of a hydraulic society in Wittfogel’s *Oriental Despotism* (1959), though too narrow in ascribing the Chinese social formation wholly to being determined by its dependence upon water resources, reveals the important role of irrigation in the Chinese social formation. To summarise, only a single authority could bring

barbarians, and curtailing the autonomous power of elites, the fear being that they would bring this delicate balance to an end. It was not, as Marx's Asiatic mode of production suggests, an eternally unchanging system, but instead a historically specific dynamic which reproduced the social formation in ever-varying forms through the conflict over surplus within the social hierarchy.

5.3.1. Village and peasantry

Let us follow Anderson's analysis of the progression of land ownership from T'ang to Song China (Anderson 1974b:522-9; Balazs 1964:117-20; Twitchett 1979:26-8). As an ancient ideal the state was sole proprietor of the soil. 'Under the whole heaven every spot is the Emperor's ground,' went the maxim. The *chün-t'ien* or 'equal allotment' system, inherited from the Northern Wei dynasty, allocated fixed plots of 100 *mou* (c.13.3 acres) to peasant couples until they reached retirement at 60 years of age. A fifth of this land, reserved for production of silk, hemp or other luxuries, was a 'hereditary portion,' or *yung-yeh*; the rest, the 'individual portion,' or *k'ou-fen*, was returned to the state to be redistributed (Balazs 1964:ch.8-9,114-5; Twitchett 1966:39). The rate of tax for such free peasants was low, rarely exceeding 20%. Under the T'ang it was, according to Twitchett, 'the legal basis for all tenure of land, and every household's landed possessions were registered in accordance with its legal entitlement.' In practice, however, 'the law contained many loopholes which permitted official households and members of the nobility to accumulate very large holdings quite legally,' and remained poorly enforced in southern China (Twitchett 1979:25).

The *chün-t'ien* system lost its limited hegemony due to both peasant vagrancy, which was a form of resistance against its harsh conditions, and the efforts of officials and nobles to foster their own estates. The death knell was the rebellion of An Lu-shan in 756: this coincided with external defeats against Arab and Uighur armies in Turkestan and internal crises with the revolt of subject peoples, dynastic instability, and the breakdown of order. Within five years the number of registered households fell by 80% (Twitchett 1966:39). Replacing them were *chang-yuan*, large private estates tilled by tenants and to a lesser extent hired labour or slaves, consisting mostly of women and girls sold by poorer families

together the resources necessary to make arable large swathes of land for the expansion of village communities; once in existence, these new villages became dependent on the state for their survival.

(although for the most part slaves were confined to household service) (Latourette 1964:581). Although a significant proportion of the surplus had long been destined for market, only now did currency become the dominant form of exchange (Elvin 1973:117,167; Twitchett 1966:40-2). Indirect taxes on land became more profitable for the state than taxes: the unfree peasantry paid a higher proportion of their surplus as rent, on average 50%, than the free peasantry paid in tax (although Balazs shows contemporary accounts of equal deprivation) (1964:120-1). In contrast, free peasants, generally concentrated in the North China Plain (Wickham 1988:77), could enter into the bureaucracy depending on opportunity and examination (Balazs 1964:150-1), and, if wealthy enough, they could own their own slaves and, under the Song, landed property.

The crises which led to the rise of the Song dynasty led in turn to a vast spread of rural estates owned by the urban Gentry, which were managed by stewards and worked by tenants. At least 40% of the rural population worked the estates, while the rest remained small-holders in their own right. Private property was in effect no longer owned by the state: instead, private ownership and thereby extraction of surplus had subtly shifted to restrictions and obligations in the legal terms of landholding, which had become a greater source of surplus. Thus in some places the state adopted tenancy in the model of private estates for its own land due to better returns than through taxation (Balazs 1964:122). Within the social hierarchy there were two divisions: the first was between the worker and the state, the legal recipient of the surplus; the second was between the free and unfree peasantries, determining who could rise up the social hierarchy. This is where a great part of peasant resistance lied. 'Every time the amount of land under cultivation was reduced through floods, drought, or overpopulation, and the fiscal screw was tightened; every time the usurers began foreclosing on mortgaged plots of land, and exploitation and exactions reached the point where they could no longer be endured - a leader arose and gathered round him bands of peasants in revolt' (1964:157). Those who had no part in this village-state relationship were wholly excluded, such as those who had to resort to begging due to infirmity, the 'population that lived in boats on the south coast, actors, prostitutes, eunuchs, the underlings or "runners" in official yamens, and slaves' (Latourette 1964:581), along with aborigines who were considered sub-human and thought unfit for anything but slavery (Dawson 1972:114).

5.3.2. *State and Gentry*

According to Balazs:

If by totalitarianism is meant total control by the state and its executives, the officials, then it can indeed be said that Chinese society was to a high degree totalitarian...State control and state intervention existed here long before these activities became common technical terms. No private undertaking nor any aspect of public life could escape official regulation. (1964:10)

Totalitarianism is, of course, a product of the twentieth century, yet in a sense the dominance of the Chinese state on all areas of social life suggests it as an analogy. The state controlled monopolies in salt, iron, tea, perfumes, wines, spirits and all foreign trade; these supplied the major portion of the tax revenue (Fairbank & Goldman 1992:60; Gernet 1982:323; Kirby 1954:144). The state monopolised education and literature, and enforced regulations for dress, buildings, festivals, music, birth and death. It was led and run for the most part by the Gentry, essentially a state-sanctioned aristocracy which gained an independence of its own and united the nobility into a single public body, as their evolution through the Sui, T'ang and Song dynasties reveals (Anderson 1974b:522-9; Fairbank & Goldman 1992:83; Kirby 1954:77,137; Twitchett 1979:8-9; Wickham 1988:74-6). Their numbers stood at 13,500 out of a population of some 50m in 657 (Fairbank & Goldman 1992:82). As a class they lasted to the end of the Qing in 1911-2, but despite this as individuals all were at the mercy of the 'absolute and despotic state' (Balazs 1964:6-7). The Gentry were indispensable to the running of the state. They monopolised both record-keeping and the organisation of public works, agriculture and distribution. They defended their position through control of education, the examination system, law, commerce, the promotion of agriculture and rural life, and as holders of the state ideology, Imperial Confucianism.

The Legalist-Confucian amalgam known as Imperial Confucianism, which emerged first during the Han dynasty, was the philosophy-ideology of the Gentry and thereby the state. It promoted a social formation founded upon the cosmic order of a hierarchy of superior-inferior relationships: 'parents were superior to children, men to women, rulers to subjects' (Fairbank & Goldman 1992:49-51,62-3,68; see Dawson 1972:41-2). According to Waley, the amalgam comprised both 'government by goodness,' in other words the Confucian consensus between master and man, and 'government by law,' the coercion of punishment and

reward advocated by the Legalist school. Fundamental to the latter 'was the rejection of private standards of right and wrong. "Right" to them meant "what rulers want," "wrong" means what the rulers do not want. No individual or school of thought must be allowed to set up any other standard or ideal' (Waley 1939:200, 204). The Gentry embodied Imperial Confucianism to legitimate their material reproduction and rule (1939:233-5). Accession to the Gentry was dependent upon an examination system which tested entrants on their knowledge of Confucian classics and ethics. History was recorded in its Confucian ideal as teaching material, which became a stumbling block to change and technical advance, increasing the appearance of stasis (Fairband & Goldman 1992:114; Twitchett 1966:30). In law the gravity of a crime depended as much on the social position of the victim as on the crime itself (Gernet 1982:245). In turn, the landed order was reified, particularly by the Legalist school, which taught that the 'sole aim of a State [was] to maintain and if possible to expand its frontiers. Food-production and military preparations are the only activities which the State should support; the agricultural labourer and the soldier, the only classes of citizen that it should honour and encourage'. Imperial Confucianism ultimately sought the elimination of aristocratic and hereditary privilege, and of 'artisans, hermits, innkeepers, merchants, moralists, philanthropists, scholars, soothsayers and swashbucklers', in other words any social institution or group which did not fit into the village-state relationship (Waley 1939:217, 223).

The wider population lived under a mixture of ancestor-worship, Taoism and Buddhism, along with small pockets of Islam. These influenced the teachings of Confucianism, which in turn became entangled with the common understandings and culture. This caused much conflict between the Confucian Gentry and the peasantry whose revolts centred on Taoism, the basic ideas of which 'were in direct contrast to those of Confucianism: spontaneity, non-intervention, nonaction...and a return to nature, as against duty to the state, regulations, propriety, and moral obligations' (Balazs 1964:156). Through peasant religion the ties of kinship were held to be sacrosanct: the indigent and aged were cared for by their more prosperous and younger relatives, while magistrates held the entire family responsible for the conduct of its members (Anderson 1974b:543). Thus the superior-inferior relationship of men to women was as much a product of the *yin* and *yang* of Taoism as of Confucianism. 'The *yin* stood for Earth, the moon, darkness, evil, and the female sex. On the *yang* side were Heaven, the sun, light, fire, goodness, and the male sex' (Latourette 1964:551). The social status of men

had a direct impact on state appointments and land allocations, and as such 'Confucian virtues,' particularly *Hsiao*, or filial piety, determined the social existence of women in being limited to the immediate family (Elvin 1984). The well-known practice of footbinding emerged later, but with the same rationale. In terms of divorce, for example, a husband 'might divorce his wife for certain specific causes: failure to bear him a male heir, neglect of his parents, a shrewish tongue, theft, jealousy, an incurable disease, and adultery. But...a wife could not divorce her husband, and divorce by her husband was regarded as deep disgrace.' In turn, concubines and female domestic slaves were frequent among the wealthy (Latourette 1964:565-74). Another example is that male offspring were more valued than females because male heirs would perpetuate the family and serve the ancestors, and in doing so raise the social status of the family. In sum, women were used as the property and status symbols of men within complex social rules and traditions governing positions in the social hierarchy.

Fairbank and Goldman argue that from the Song dynasty onwards Gentry rule was augmented by a 'military power-holding complex' around the emperor, consisting of his family and their nobility, the army and garrisons, palace eunuchs, and security apparatus (1992:110-1). They had, of course, existed long before the Song: this was merely a short-lived shift of power vis-à-vis the Gentry. There was little recourse to written law, especially after the many upheavals during the T'ang, and because of this there was much competition for rank and position (Twitchett 1979:18-9). Over and above this was the absolute judgement of the emperor's Mandate of Heaven. Rights over surplus were determined wholly according to official rank within the state, a preserve of the Gentry, and, to a lesser extent, the court held by the Emperor.

In its relationship with the outside world, the Gentry directed the state towards policies of monopoly, mercantilism and isolation in order to regulate and protect their social position. In terms of monopoly, irrigation, as we have already seen, was a key function of the state because no smaller polity could provide it on such a scale. In turn, salt production was also such a 'natural monopoly.' At times it generated over one-half of all state revenues (Dawson 1972:99). As for the monopoly on foreign trade, the Gentry were permanently faced with merchants who without regulation would emerge as contenders for their position: to this end Confucianism was employed to disesteem the profit motive. Cities never became free and independent like in Europe but were instead state-regulated bureaucratic and market centres (Balazs 1964:44,ch.6; Cotterell 1988:169). From 982 the state

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controlled access to foreign trade by use of official licences, a process replicated when faced with the onset of Western trade in the Ming and Qing (Elvin 1973:216). In any case, this trade was mostly in luxuries and heavily regulated by the state, and as such the potential for contact with the outside world was limited (Latourette 1964:503). With all this in mind, a sweep of history shows a cyclical pattern allowing and then closing access to foreign trade (Cotterell 1988:108; Fairbank & Goldman 1992:137-40). When under threat from internal dissidents and rival classes or from external military and economic pressures the Gentry would use the state to intervene and clamp down on outside access to maintain both their hegemony and the social institutions which it depended upon.

6. The capitalist global political economy

The need of a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connexions everywhere.

Karl Marx & Friedrich Engels (1978:476)

Historical study has established the viability of Marx's methodology. Now we turn to an inquiry into the capitalist global political economy through an exploration of the historical construction and political governance of its central social institution: the market. Following his historical materialism once more, this consists of two parts. First we need to identify the capitalist mode of production and its global dynamics in the abstract. This is the focus of the current chapter. Second we need to apply this to the global political economy to draw out the production of social exclusion through historical study. We do this for three particular historical periods in chapters seven through nine.

In this chapter we consider Marx's account of the capitalist mode of production in the abstract. This mode of production is founded upon a historically specific social relation, capital, which over time subordinates all other elements of society to its demands and imperatives within the economic sphere of civil society, as embedded within a political-legal framework of political governance. By considering this in the abstract we prevent social institutions such as 'the state', the 'national economy' or the 'global economy' from appearing as fixed, ever-present categories, rather than as historically specific constructions which have much to do with the context into which the capitalist mode of production emerged and the specificities of its subsequent historical development.

In section one we return to the question of the market as discussed in chapter three. Here we trace Karl Polanyi's argument that the market cannot be understood as natural and universal because it is a historically specific social institution which emerged in a very particular context. For Polanyi this social institution cannot explain its own rise: in itself the market relation is incapable of transforming a social formation into a 'market society' of its own accord. Some other social relation must have given rise to the market as the universal surface appearance of modern society.

Section two argues that this hidden social relation is brought to light through Marx's use of historical materialism to identify the capitalist mode of production, following particularly *Capital I*. Here we outline Marx's view of the capitalist mode

of production in the abstract, focusing on the concept of capital as a historically specific social relation.

In section three we consider Marx's argument concerning the historical construction of the capitalist mode of production in the abstract, which consists of three stages. First, the dissolution of feudalism and other landed social structures in Europe and the corresponding emergence of European and world trade in the form of a new economic sphere of civil society, underpinned by new arrangements of political governance. For this we give a brief overview of the historical accounts of both Marx and Fernand Braudel. The second stage was the construction of a uniquely *capitalist* mode of production within this new sphere of civil society. Here we draw particularly from Marx's account in the *Grundrisse* and *Capital* III, leaving room for a more detailed examination of how this process took place in England in chapter seven. The third stage is the construction of a global political economy according to the internal dynamics of the capitalist mode of production. For this we consider David Harvey's analysis of its spatial and temporal dynamics.

Section four considers the ways in which political governance is productive of social relations within civil society and in related social formations. First we consider Marx's explanation of the separation of the political sphere from the economic sphere. Second we suggest Antonio Gramsci's concept of hegemony as a way to understand how particular social classes and groups become dominant within civil society and the political sphere. Third we consider how Stephen Gill's notion of disciplinary neoliberalism, drawn from Foucault's conception of discipline, can be generalised into 'disciplinary governance' as a means to understand how particular conceptions, practices and discourses come to determine social relations and individual behaviour within civil society. And fourth we comment on how political governance operates as the management of limits and impediments to civil society in terms of the relationship between civil society and external social formations.

Section five concludes with a consideration of how this will be applied historically in the following three chapters.

6.1. *The market is not natural*

Of the three social formations examined in the last chapter, none were founded upon market relations. Each had a historically specific, non-economic, non-market dynamic at its core. In feudal Europe social relations were founded upon homage and serfdom. Apart from in the towns, which existed on the very fringes of the wider social formation, and even then only grew strongly once the period of feudalism was drawing to a close, markets did not exist. In classical Islam the market was a thin layer above landed and slave relations of production, and before that above relations of pillage. T'ang China also consisted of landed relations, tying village to state; markets became important elements of the social structure only through the effect of peasant vagrancy. In each case the market was on the outside of the central social structures and institutions which governed production. Its existence was external to and, in terms of surplus, parasitic upon landed relations of production.

This is the core of Karl Polanyi's argument in *The Great Transformation*. Although markets have existed throughout human history in many forms – long-distance trade; local markets 'at which housewives procure some of their daily needs, and growers of grain or vegetables as well as local craftsmen offer their wares for sale' (1957:62); and later national markets 'created by the intervention of the state' in Europe (1957:63) – 'never before our own time were markets more than accessories of economic [or rather productive] life' (1957:68). In other words, they were almost entirely unrelated to the social relations of production. Wherever markets existed they did so as a direct outgrowth of social structures already in existence, rather than an inbuilt human propensity to 'barter, truck and exchange' (1957:43). Thus, long-distance trade 'is, originally, more in the nature of adventure, exploration, hunting, piracy and war than of barter' (1957:59). Such historically specific activities engendered markets in their own reproduction, and occasionally took the form of market processes themselves, but had little to do with the production and transformation of material life.

In turn, markets were everywhere 'embedded' within social and cultural institutions and practices, often in the form of direct regulation, which exerted 'strict discipline' upon them, defining their scope, who could take part, what could be traded, and the distribution of profits (1957:62). The very widespread existence of markets throughout human history suggests clearly that in each case, '[a]s a rule, the economic system was absorbed in the social system, and

whatever principle of behaviour predominated in [production], the presence of the market pattern was found to be compatible with it. The principle of barter or exchange, which underlies this pattern, revealed no tendency to expand at the expense of the rest' (1957:68).

Therefore to Polanyi the 'great transformation' which has made the modern world so different to any preceding era was not simply the extension of markets *per se*, but rather the universal transformation of the market into the central social institution to which all others have been subordinated. Unique to the modern world, then, is the 'self-regulating' sphere of the market, which appears as 'an economic system controlled, regulated and directed by markets alone', the mechanism to which 'order in the production and distribution of goods' – along with services, land, labour and money – 'is entrusted' (1957:68). In all preceding epochs the market was for the most part peripheral to material life, yet now is its central determinant. Thus, in terms of the contemporary global political economy, instead of there being limited and heavily regulated markets of various forms at its fringes, each independently related to different productive relations, the global political economy as a whole has become fundamentally 'shaped' by the economic sphere of the market, which now exists at its core. A social relation other than the simple market relation itself must have given rise to this transformation. Here Polanyi points out that '[i]nstead of [production] being embedded in social relations, social relations are [now] embedded in [production]' (1957:57). His clue is that unlike the market relation, this relation must have to do with production.

6.2. Capital

Marx's answer to this problem lies in his concept of the *capitalist mode of production*, and, in particular, the emergence of *capital* as a social relation wholly new to human history which has transformed the social role of the market. In his account the universal market is merely the surface appearance of this social relation of production. He traces this abstract argument at length in *Capital I*.

Marx argues that at its most basic the market appears to consist of the cycle C-M-C: Commodity-Money-Commodity, 'selling in order to buy'. Here individual producers brings their wares to market, sell them to consumers, and buy other commodities needed more than those sold. It is a simple 'exchange of products',

which are 'of the same value but different utility'; in other words, all that changes is what the product can be used for, not its value (1990:200). This is the image, the surface appearance, of the natural market as the 'circulation of commodities' traced in chapter three, a simple barter economy, which explains neither individual profit nor economic growth.

So Marx moves to a second and more complex appearance of the market. This incorporates the idea of a merchant who mediates between producers and consumers. The merchant is not an owner of commodities, rather an owner of money, and so from this perspective the cycle appears as M-C-M: Money-Commodity-Money, 'buying in order to sell' (1990:248). Here a crucial distinction appears when compared with the C-M-C cycle. Whereas commodities are different from one another only in how they are used, sums of money differ only in quantity, in amount. Thus from this perspective a profit can be made by buying cheap and selling dear. M-C-M becomes M-C-M': Money-Commodity-Money + profit. The merchant realises a surplus – 'surplus value' – by selling at a higher price than the initial outlay (1990:251). This also takes place through usury, the lending of money at interest, in which case the cycle is M-M' (1990:256-7). This explains how profit and economic growth emerge, as the surface appearance of surplus value.

Yet for Marx there remains a further significance in this movement of money making more money, whether this takes place in the form M-C-M' or M-M'. In both instances, the 'value originally advanced...not only remains intact while in circulation, but increases its magnitude, adds to itself a surplus-value, or is valorized. And this movement converts it into *capital*' (1990:252, emphasis added)(and thus, in these two different forms, we have merchant's capital and usurer's capital). In this movement money becomes capital, a historically specific social relation, which is different from all other social relations in that it contains within itself an *imperative*, a 'social necessity' (1990:234) towards 'limitless' (1990:253) accumulation of surplus value, in other words limitless motion, expansion and growth. Capital thus produces and reproduces the imperative for valorization, to make money into more money, value into more value, and as such it is 'value in motion' (Harvey 2007, 3rd lecture), value which must always be adding value to itself, such that its very existence is dependent upon its constant 'self-valorization' (Marx 1990:255). But what has this to do with production? And how does all this take place in particular historical, spatial and temporal contexts? To understand this we turn to Marx's account of the historical emergence and

dynamics of the capitalist mode of production within civil society, as underpinned by political governance.

6.3. Historical construction

Marx's account divides this into three stages. First, the dissolution of feudalism and other landed social structures in Europe and the corresponding emergence of European and world trade in the form of a new economic sphere of civil society, underpinned by new arrangements of political governance. Second, the construction of a uniquely capitalist mode of production within this new sphere of civil society. And third, the construction of a global political economy according to the internal dynamics of the capitalist mode of production.

6.3.1. The dissolution of feudalism

In Chapter 20 of *Capital III* and throughout the *Grundrisse*, especially in the *Formen*, Marx discusses two interrelated questions to which the classical economists of his day had no answer. First, why had Europe in the centuries since feudalism seen, on the one hand, the decline of production founded upon personal and landed relations of dependence, and, on the other, the expansion of production destined for the market? Second, in what way was this related to the rise of the capitalist mode of production and large-scale industry?

In his three volumes of *Civilization and Capitalism*, Fernand Braudel argues that the feudal relations of production charted in chapter five section one declined because their internal contradictions led to the construction of a new form of society based upon an economic sphere of civil society which appeared to exist independently from all other social, political and religious institutions (1977; 1983; 1984). Feudal relations produced surplus population and production beyond local requirements which did not fit into the landed relations of production. These became organised according to new flows of people and goods centred on the growing commercial towns such as Venice, Genoa, Barcelona, Amsterdam and Lübeck, which themselves became organised according to the rule of urban guilds. In turn, these new social structures and flows became a new source of wealth and power to landed authorities, and so relationships between

the two arose. In this we see the use of mercenary armies and so forth which had been alien to the feudal order. The effect of this new commercial society alongside landed relations of production was the creation of a vast new stratum of merchants over and above landed society, visible within the commercial towns, in the *Hanse*, trade within the Mediterranean, and the emergence of world trade with the East and the Americas. In turn this period saw the emergence of other new political forms, most noticeably the nation-state, which created a political-legal framework for the construction and reproduction of civil society. Thus on the one hand, this process produced a new market sphere, the economic sphere of civil society, existing according to the new forms of authority and political structures emerging as a product of the slow dissolution of feudalism. And on the other, within this began to emerge large accumulations of merchant's capital and usurer's capital, money employed to make more money through the circulation of commodities and money.

Marx argues that this was bound to have a massive impact upon production, because 'on the basis of every mode of production, trade facilitates the production of surplus-products destined for exchange...Hence, commerce imparts to production a character directed more and more towards exchange-value' (1959:326-7). According to Marx the root cause of this dissolution of feudal relations was merchant's capital, capital 'penned in the sphere of circulation' (1959:325). By this he means money-wealth used to make more money through the coercive extraction of surplus from the circulation of commodities, by the realisation of the greatest possible profit between the moment of production and the moment of sale. Or, according to Braudel, commerce aimed at 'legal or actual monopoly and the possibility of price manipulation' (1983:374). Money, in the form of merchant's capital and usurer's capital, thus took on 'an independent existence in the merchant estate' within civil society, and operated as the solvent for feudal society (Marx 1973:509). There were four specific dimensions of the conflict engendered by the rise of merchant's capital.

First, merchant's capital gave production 'more and more the character of production for exchange-value and [turned] products more and more into commodities' (Marx 1959:327). It could only gain access to surplus through circulation, so little by little it struggled with the feudal lord and the guild-master to turn relations of dependence into market relations, to tear products out of their 'local, natural and individual boundaries' (1973:150) and turn them into commodities, products destined for the market, the only form in which a

commercial profit could be realised. In this way money operated as 'a means of cutting up property (houses, other capital) into countless fragments and consuming it piece by piece through exchange' (1973:871). This process did not just take place in Europe, but led to the spatial expansion of the market, to 'drawing the dimensions of exchange over the whole world' (1973:225).

Second, merchant's capital sought everywhere to establish monopolies and other forms of coercive control over the market, visible in local toll-gates and national tariffs along with the rise of market towns and of wars over the capture of trade routes and key ports. Merchants, who realised profit in circulation alone, were drawn into using all sorts of extra-economic means to extract a share of the surplus generated in circulation, by 'parasitically' shoving themselves between production and sale (Marx 1990:267). In doing so, according to Marx,

So long as merchant's capital promotes the exchange of products between undeveloped societies, commercial profit not only appears as outbargaining and cheating, but also largely originates from them...Merchant's capital, when it holds a position of dominance, stands everywhere for a system of robbery, so that its development among the trading nations of old and modern times is always directly connected with plundering, piracy, kidnapping slaves, and colonial conquest. (1959:330-1)

Thus we come, third, to another element of this process, the forced 'expropriation' of people from their former relations of production, both 'divorcing the producer from the means of production' (Marx 1990:875), and releasing vast assets into the market to be sold for profit, the product of domestic upheaval and 'colonial conquest'. Both of these last two points are revealed somewhat in Marx's writings on the East India Company (e.g. 1978; selections in 1983).

Last, merchant's capital promoted greater control over the circulation of the products themselves, over time tying the direct producer both to the market and to the merchant. As such, the merchant was in permanent conflict with the individual producer to extend both the beginning and the end of the sphere of circulation, right to the moments of production and sale. This will be revealed particularly in the following chapter.

Place these four together, as Marx does, and we have the answer to our first question:

The development of commerce and merchant's capital gives rise everywhere to the tendency towards production of exchange-values, increases its volume, multiplies

it, makes it cosmopolitan, and develops money into world-money. Commerce, therefore, has a more or less dissolving influence everywhere on the producing organisation, which it finds at hand and whose different forms are mainly carried on with a view to use-value. (1959:331-2)

For Fernand Braudel, along with many other students of this era of history who follow what Meiksins Wood calls the 'commercialisation model', this is where the story ends (2002:ch.1). Capitalism emerged automatically across Europe once merchants and money concentrated in the commercial towns had destroyed the feudal system and produced the economic sphere of the market in its place. This vast increase in circulation is sufficient, in this account, for the subsequent emergence of a global political economy and large-scale industry. But at this stage not much had changed in terms of the relations of production: although goods were now being sold at market, they were still being produced according to relations between lord and serf, guild-master and apprentice, or perhaps master and slave. As Meiksins Wood argues, '[w]hile the accumulation of wealth was obviously a necessary condition of capitalism, it was far from being sufficient or decisive' (2002:36). Something else had to happen for this to take place.

6.3.2. Capital enters production

Immediately following Marx's answer to the first question he leads us into thinking about the second: 'whither this process of dissolution will lead, in other words, what new mode of production will replace the old, does not depend on commerce, but on the character of the old mode of production itself' (1959:332). Merchant's capital was not the sole foundation of the capitalist mode of production because, as we have seen, it was penned in the sphere of *circulation*, of exchange within civil society. It had nothing to do with *production*, and as such generated no value in itself: it realised surplus only in being a parasite upon the landed modes of production which it linked by circulation. In contrast, Marx argues, 'capital arises only where trade has seized possession of production itself, and where the merchant becomes producer, or the producer mere merchant' (1973:859). Thus the capitalist mode of production proper could only emerge once capital had been drawn into the sphere of production. Furthermore, in identifying the emergence of capital, we are not looking for a stock of wealth or accumulation of machinery or some other visible phenomenon which stands

alone, because capital 'is a *relation*, and can only be a relation *of production*' (1973:514, emphasis altered). How and where did this historically specific relation emerge?

Our starting point, according to Marx, is that '[c]apital can, and must, form in the process of circulation, before it learns to control its extremes – the various spheres of production between which circulation mediates' (1959:328). In addition he further asserts that the 'precondition of production based on capital is...the production of a constantly widening sphere of circulation' (1973:407, emphasis removed), which, as we have seen, took place in the construction of civil society. However, as we have already touched upon, 'the mere presence of monetary wealth, and even the achievement of a kind of supremacy on its part, is in no way sufficient for this dissolution into capital' (1973:506). Instead, '[w]hat enables money-wealth to become capital is the encounter, on one side, with free workers; and on the other side, with the necessaries and materials etc., which previously were in one way or another the property of the masses who have now become object-less, and are also free and purchasable' (1973:505). And so, the 'original formulation' of capital 'is that, through the historic process of the dissolution of the old mode of production, value existing as money-wealth is enabled, on the one side, to buy the objective conditions of labour; on the other side, to exchange money for the living labour of the workers who have been set free' (1973:506-7).

It is not just the emergence of civil society, nor moneymaking itself, but rather the movement of capital into the world of production within this broader framework of the market which is the starting point for the capitalist mode of production. Here, Marx argues, capital can pursue self-valorization most vigorously because it has finally come into contact with the original source of all surplus-value – labour – and the means by which labour creates value – the production process. The decisive shift is that here capital takes charge of the creation of surplus-value in the production process, through the use of labour-power to transform one set of commodities – perhaps raw materials, patents, data, energy inputs – into a more valuable product – manufactures, designs, entertainment media, communications infrastructure, and so forth (Harvey 1985:128). Thus instead of buying commodities and hoping that they can be sold for a higher value, or ensuring this result through extra-economic 'price manipulation', we have instead the use of capital to directly control the

production process, to maximise the creation of value. Here we see the circuit of capital in its fullness:

$$M - C_{MP}^{LP} \dots P \dots C' - M'$$

This circuit, which is forever taking place underneath the day-to-day operation of market relations, describes how capital as money purchases a set of commodities, transforms them through the use of labour power and the means of production in the production process into commodities of a greater value, then sells them for a profit. Thus within the production process itself this makes possible the drive towards ever-increasing productivity and exploitation of labour, for example through the control of the production processes, the combination of labour-power, the extension of the working day, the introduction of machinery and industry, the intensification of work-rate and so on as charted by Marx in *Capital I*. In this sense the fundamental difference between the capitalist mode of production and all others is that, because it has full control over the production process, it 'never views or treats the existing form of a production process as the definitive one. Its technical basis is therefore revolutionary, whereas all earlier modes of production were essentially conservative' (1990:617). Therefore, unlike all other modes of production it has the potential for massive increases in productivity. And as we see below, it is characterised not only by this existing as a possibility, but rather as an imperative produced by competitive pressures.

Therefore, whereas the emergence of civil society was in many ways general and universal, the emergence of the capitalist mode of production was not. Its emergence was unique to the historically specific impact of merchant's capital upon a particular landed mode of production emerging from feudalism. Its result within civil society was twofold: on one side emerged money as the general representative of wealth, and on the other all forms of labour became transformed into wage-labour. This new mode of production arose immediately into conflict with both the merchant's capital from which it stemmed and the various alliances of merchant's capital and landed modes of production existing elsewhere. It led ultimately to the emergence of industrial capitalism, the historically specific social formation which has led the capitalist transformation of the globe. And, crucially, it led to the supremacy of the free, competitive market

over all other forms of market organisation, such as the various forms of monopoly controlled by mercantile interests as suggested above.

We are left now to determine a specific moment in world history where this was the case, and, indeed, there is only one contender. England, the focus of Marx's studies, was the location of the earliest decline of feudalism, of 'agrarian capitalism,' of John Locke's distinctly capitalist theory of property, of a distinctly non-absolutist state, of a national market centred upon London, and of the first 'Industrial Revolution.' Thus,

If England was to be the first industrial capitalist nation by the mid-nineteenth century, the conditions for that development are to be found in the capitalist agriculture of the sixteenth and seventeenth centuries, in the growing productivity of agriculture and in the underlying social property relations which created both a mass consumer market and a labour force for the production of cheap everyday necessities like food and textiles. (Meiksins Wood & Wood 1997:14)

Thus upon the advent of industrial capitalism in England we witness capital breaking out of circulation and into production in a very particular historical context. On the one hand we see money in itself emerging as the general representative of all forms of private property and social power; with it could be purchased all the factors of production; it was 'money as capital' (Marx 1973:217-21, emphasis removed). And on the other the wage-labourer, unable to produce his own means of subsistence, who, 'instead of being able to sell commodities in which his labour has been objectified, [is] compelled to offer for sale as a commodity that very labour-power which exists only in his living body' (1990:272). As such, this period within the English social formation will be the focus of the following chapter.

6.3.3. Subsequent development

The emergence of the capitalist mode of production, then, has taken place in two movements: first the creation of an economic sphere of civil society underpinned by new forms of political governance through the dissolution of feudalism; and second the encroachment of capital into the realm of production within civil society. Here we will consider the subsequent development of civil society under the rule of capital into the form of a global political economy, drawing in particular from David Harvey's reading of Marx. On the one hand, we

argue, this development has taken place through the tendency of capital to overcome all limits and barriers through spatial expansion, temporal intensification and the dissolution of non-capitalist relations of production, a result of social actors operating under the imperatives of anarchical competition within civil society. But on the other, we find that this process is not unbounded but rather uneven because of contradictions engendered by the capitalist mode of production.

If we consider Marx's conception of the capitalist mode of production in terms of its unceasing and limitless accumulation, then it is an easy step to take to realise that for this to take place it must therefore be highly dynamic and inevitably expansionary[,] a permanently revolutionary force which continuously and constantly reshapes the world we live in' (Harvey 1975:9). This is clearly visible in the massive expansion of global trade, investment, migration and so forth in the last few centuries. But what drives this imperative to accumulate, expand and rearrange? The answer lies in the way in which anarchical competition within civil society appears to confront all its members as an 'external necessity' (Marx 1973:84), with accumulation its condition of survival and material reproduction.

As Marx argues, regardless that the market and capital have been historically and socially constructed, that the expectations and behaviour of market actors are a social and political construction, the conception of anarchical competition is what in fact drives interactions within civil society. If its members perceive of this sphere in terms of its surface appearance, 'as the collision of unfettered individuals who are determined by their own interests, ...as the absolute mode of existence of free individuality in the sphere of consumption and of exchange' (1973:649), this is exactly what the sphere will come to resemble. Thus, the apparent 'principle underlying civil society is neither need, a natural moment, nor politics. It is a fluid division of masses whose various formations are arbitrary and *without* organization' (1992:146, emphasis retained). It is a sphere which 'brings into contact independent producers of commodities' – whether capitalist or otherwise – 'who acknowledge no authority other than that of competition, of the coercion exerted by the pressure of their reciprocal interests, just as in the animal kingdom the "war of all against all" more or less preserves the conditions of existence of every species' (1990:477). In this sense competition among self-interested rivals in the marketplace appears to all as the condition of the reproduction of social life in the economic sphere of civil society.

According to Harvey's reading of Marx, this unceasing competition within civil society produces two key expansionary dynamics. First is the spatial expansion of civil society to draw new, cheaper sources of raw materials, labour and the means of production into the market to overcome bottlenecks within the production process, and to find new markets in which to sell, ultimately in search of new sources of profit (Harvey 1975:11-2). Thus capital has the perpetual 'tendency to create more points of exchange', both within civil society and at its limits, to the point at which the 'tendency to create the world market is directly given in the concept of capital itself. Every limit appears as a barrier to be overcome' (Marx 1973:408) in 'expanding the universality of wealth, and for drawing the dimensions of exchange over the whole world' (1973:225). 'Hence', as Marx argues,

exploration of all of nature in order to discover new, useful qualities in things; universal exchange of the products of all alien climates and lands; new (artificial) preparation of natural objects, by which they are given new use values. The exploration of the earth in all directions, to discover new things of use as well as new useful qualities of the old;...the development, hence, of the natural sciences to their highest point; likewise the discovery, creation and satisfaction of new needs arising from society itself; the cultivation of all the qualities of the social human being, production of the same in a form as rich as possible in needs,...production of this being as the most total and universal possible social product, for, in order to take gratification in a many-sided way, he must be capable of many pleasures, hence cultured to a high degree - is likewise a condition of production founded on capital.

...In accord with this tendency, capital drives beyond national barriers and prejudices,...as well as all traditional, confined, complacent, encrusted satisfactions of present needs, and reproductions of old ways of life. It is destructive towards all of this, and constantly revolutionizes it, tearing down all the barriers which hem in the development of the forces of production, the expansion of needs, the all-sided development of production, and the exploitation and exchange of natural and mental forces. (1973:409-10)

This means constant, limitless expansion into every area of social life, whether at the global level, in the reproduction of daily life, or with regard to nature, and also the central importance of transport and communications technologies and the ever-wider movement of goods, services, information and people:

The more production comes to rest on exchange value...the more important do the physical conditions of exchange - the means of communication and transport - become for the costs of circulation...Thus the creation of the physical conditions of exchange - of the means of communication and transport - ...becomes an extraordinary necessity for it. Only in so far as the direct product can be realized in distant markets in mass quantities in proportion to reductions in the transport costs, and only in so far as at the same time the means of communication and transport themselves can yield spheres of realization for labour, driven by capital;

only in so far as commercial traffic takes place in massive volume...only to that extent is the production of cheap means of communication and transport a condition for production based on capital, and promoted by it for that reason. (Marx 1973:524-5)

Second, however, the 'opening up of more distant markets, new sources of raw materials and new opportunities for the employment of labor...has the effect...of increasing the turnover time of capital', threatening the rate of profit by increasing the time it takes to bring products to market and complete the circuit of capital, 'unless there are compensating improvements in the speed of circulation' (Harvey 1975:12). This leads to the drive for temporal intensification, the continual demand to shorten the time it takes for the circuit to complete itself, in other words competition over the number of circuits of capital, of returns on investment, possible within a particular time-frame. 'Thus,' as Marx argues,

while capital must on the one side strive to tear down every spatial barrier to intercourse, i.e. to exchange, and conquer the whole earth for its market, it strives on the other side to annihilate this space with time, i.e. to reduce to a minimum the time spent in motion from one place to another. The more developed the capital, therefore, the more extensive the market over which it circulates, which forms the spatial orbit of its circulation, the more does it strive simultaneously for an even greater extension of the market and for greater annihilation of space by time. (1973:538)

This brings us to the importance of a credit system for 'fictitious capital'. As Harvey argues, this converts 'a long-drawn-out circulation process...into an annualised rate of return. It does so by facilitating the daily buying and selling of rights and claims to future products of labour' (Harvey 1985:137). It facilitates both spatial expansion, in terms of bringing distant investments within reach, and temporal intensification, in terms of making rates of return comparable and increasing competition by 'drawing into the hands of individual or associated capitalists by invisible threads...money resources, which lie scattered in larger or smaller amounts over the surface of society' (Marx 1990:778). In short, the 'entire credit system, and the over-trading, over-speculation etc. connected with it, rests on the necessity of expanding and leaping over [barriers] to circulation and the sphere of exchange' (1973:416, emphasis removed).

In turn, competition leads to the dissolution of non-capitalist relations of production which exist within civil society. As Meiksins Wood explains, within civil society all relations of production are placed under the 'market imperatives' of external necessity, whether capitalist or not (2002:36-7). And here capitalist

relations of production have the singular competitive advantage of being productively dynamic, in other words able to undercut and out-produce all other relations of production with which they compete. Once brought into the sphere of civil society, the sphere of exchange, all relations of production fall under the same market imperative: match the productivity of capital, match its capacity for expansion – in other words become capital – or lose out in the battle for survival and material reproduction. All social relations drawn into civil society in this way become ‘swept by universal commerce into the universal competitive struggle’ (Marx & Engels 1965:78), drawn into the sphere in which the ‘seemingly transcendental power of money’ can operate to its greatest effect (Marx 1973:146). ‘Hence the tendency of capital [to] continually to enlarge the periphery of circulation; [and] to transform it at all points into production spurred on by capital’ (1973:408n). Or to put it another way, capital ‘compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilisation into their midst...In one word, it creates a world after its own image’ (Marx & Engels 1978:477).

Therefore the rule of capital within civil society produces within it a historical dynamism towards spatial expansion, temporal intensification, and the dissolution of non-capitalist relations of production. As Marx summarises,

This is law for capitalist production, imposed by incessant revolutions in the methods of production, by the depreciation of existing capital always bound up with them, by the general competitive struggle and the need to improve production and expand its scale merely as a means of self-preservation and under penalty of ruin. The market must, therefore, be continually extended, so that its interrelations and the conditions regulating them assume more and more the *form* of a natural law working independently of the producer, and become ever more uncontrollable. (1959:244-5, emphasis added)

However this process is beset by unevenness through a number of contradictions engendered by the capitalist mode of production. (This list is not an exhaustive account of Marx’s writings, but rather consists of those most important for our study).

First, the appearance of anarchical competition engenders repeated periodic crises. In Harvey’s account these are crises of ‘overaccumulation’, where ‘there has been an overproduction of capital (in the form of an overproduction of commodities)’ compared to effective demand (1975:10), but at the same time crises can include small-scale problems such as bottlenecks in production, circulation and consumption specific to particular industries. These are united by

the threat they pose to the rate of accumulation, and as such produce a rhythmic industrial cycle within civil society. In periods of recession and depression the competitive pressures for survival and material reproduction reach their height, forcing the greatest periods of reconfiguration and expansion (and, as we will see in the following section, political intervention) in the search for higher rates of profit and survival.

Second, according to Harvey, there exists a perpetual contradiction between the imperative to transcend space and dependence upon a physical infrastructure for this to become at all possible:

From the standpoint of the circulation of capital...space appears in the first instance as a mere inconvenience, a barrier to be overcome...But it transpires that these objectives can be achieved only through the production of fixed and immobile spatial configurations (transport systems, etc.). In the second instance, therefore we encounter the contradiction: spatial organisation is necessary to overcome space. (1985:145)

In one sense, then, capital produces 'a physical landscape created in its own image' (1975:13), according to a

tendency towards...a structured coherence to production and consumption within a given space[, which] embraces the forms and technologies of production (patterns of resource use, inter-industry linkages, forms of organization, size of firm), the technologies, quantities, and qualities of consumption (the standard and style of living of both labour and the bourgeoisie), patterns of labour demand and supply (hierarchies of labour skills and social reproduction processes...) and of physical and social infrastructures (1985:146)

If we add to this the political governance of this space considered in the following section, then these 'regional spaces' as Harvey calls them, are crucial products of the capitalist mode of production, in which 'production and consumption, supply and demand (for commodities and labour power), production and realisation, class struggle and accumulation, culture and life style, hang together as some kind of structured coherence within a totality of productive forces and social relations' (1985:146). Capital thus becomes highly concentrated within particularly productive and competitive regional spaces, which as a whole offer the most consistent prospects for the production of surplus-value.

But at the same time, as these regional spaces transform themselves in response to crises, new competitive pressures, new industrial and financial processes, new patterns of employment and circulation and so forth, regional

spaces constructed in the past themselves become hindrances to further accumulation. When this occurs these regional spaces, or particular strata within them, become victims of what Joseph Schumpeter labelled 'creative destruction' (Elliot 1980; Harvey 2005:3; Schumpeter 1994:pt.II). In this sense,

Capitalist development must negotiate a knife-edge between preserving the values of past commitments made at a particular place and time, or devaluing them to open up fresh room for accumulation. Capitalism perpetually strives, therefore, to create a social and physical landscape in its own image and requisite to its own needs at a particular point in time, only just as certainly to undermine, disrupt and even destroy that landscape at a later point in time. The inner contradictions of capitalism are expressed through the restless formation and re-formation of geographical landscapes. (Harvey 1985:150)

Third, competition produces larger and larger agglomerations of capital both as fresh surplus-value is repeatedly reinvested into the productive circuit and as smaller capitals are expropriated by those larger. For the most part this takes place as concentration, first as 'the increasing concentration of the means of production in the hands of individual capitalists' (Marx 1990:776), and second as the 'expropriation of capitalist by capitalist' leading to the 'transformation of many small into few large capitals', such that capital 'grows to a huge mass in a single hand in one place, because it has been lost by many in another place' (1990:777). But at the same time competition can breed fragmentation when large capitals become uncompetitive in particular contexts (Harvey 1990). At the same time as concentration and centralisation takes place, then, 'offshoots split off from the original capitals and start to function and new and independent capitals...not only are accumulation and the concentration accompanying it scattered over many points, but the increase of each functioning capital is thwarted by the formation of new capitals and the subdivision of old' (Marx 1990:776). This contradiction between concentration and fragmentation unfolds in particular forms depending upon the historical context.

Fourth, there exists a contradiction between capital on the one side and other social forms and non-capitalist relations of production on the other. In one sense capital is only one small part of any whole picture of a capitalist social formation. Capital exists in relationship with labour power and the means of production, production and consumption, the means of transport and communication, political governance, technologies, discourses, social institutions and so forth. As a relation it is by no means independent from those other elements of society upon which it depends for its existence, each of which exist in different social

forms and according to different necessities, and thus each placing different limits and barriers upon capital in particular social and geographical contexts, some of which may themselves be overcome by capital in particular instances, such as through their commodification.

In another, a capitalist social formation will inevitably consist of non-capitalist elements and interests which themselves place particular limits and constraints upon the development of capital in an uneven way. As we have seen, the initial emergence of capital took place within a civil society and according to institutions of political governance unrelated to capital. Everything since has been a question of social struggle over which formerly non-capitalist social structures and institutions can be co-opted and adapted according to the demands of capital, at least until new ones can be built upon the ruins of the old. This is the particular sense in which Trotsky suggested in his notion of 'combined development', which he defines as 'a drawing together of the different stages of the journey, a combining of separate steps, an amalgam of archaic with more contemporary forms' (1965:27).

Finally, and in much the same way, the existence of civil society always depends upon its relationship to its historical, social and geographical limits, along with external social formations, especially when these are conceived as the terrain into which it is expanding.

The capitalist mode of production has thus come to produce a global political economy according to its contradictory movements towards unbounded expansion and unevenness. In other words, the emergence of the capitalist mode of production within civil society has produced a widespread set of interconnections among various social forms and productive relations within the ever-expanding sphere of civil society, driven at its core by the dynamics of capital.

6.4. Political governance

In this section we consider the ways in which political governance is productive of social relations both within civil society and in social formations related to it. After considering Marx's explanation of the separation of the political sphere from the economic sphere we consider the concepts of hegemony and discipline

as potential ways of understanding this process, then examine the ways in which external limits and impediments to civil society are managed.

6.4.1. *The emergence of the political*

We have mentioned above how new forms of political governance arose in the dissolution of feudalism in Europe, in relation to the new economic sphere of civil society emerging at the same time. In *The German Ideology* Marx argues that this construction took place through the definition of a particular set of property rights as the basis for a political-legal framework within which civil society would become securely embedded, and which its leading interests would dominate (Marx & Engels 1965:78-81). In his argument, the initial emergence of civil society depended upon the existence of 'private' property, freed from the 'former political and social embellishments and associations' of non-capitalist social relations (Marx 1959:618). As we have seen, this took place as an outgrowth of the contradictions of feudalism, within and between the spaces and limits of feudal authority. Subsequently, bourgeois interests dependent upon relations of private property sought the regularisation and security of this new sphere of market relations through the construction of a new political sphere which could guarantee their existence and rights more effectively.

This, Marx argues, led to the construction of the historically specific form of the state, which appears as 'a separate entity, beside and outside civil society' (Marx & Engels 1965:79), as its guarantor from external interference, in which its relationship with civil society is wholly one of 'separation' (Marx 1992:137, 141). Thus on the one hand the state appears in its simple superstructural form, an expression of the material basis of society according to which it emerged, where, as Marx points out, 'right, law, etc. are merely the symptom, the expression of *other* relations upon which State power rests' (Marx & Engels 1965:366, emphasis retained). In this sense the historically specific form of the state appears to be no more than 'the form of organisation which the bourgeois necessarily adopt both for internal and external purposes, for the mutual guarantee of the property and interests' (1965:79).

But on the other the bourgeois interest, 'wherever it...got the upper hand' in the social struggle over this new political sphere (Marx & Engels 1978:475), was doing much more than simply separating itself from political and social fetters

and hindrances. Instead it was constructing a new political-legal framework within which civil society would become embedded, in which its day-to-day conduct and reproduction would be regulated, normalised and legalised according to its dominant interests, a process backed up by an overwhelming coercive apparatus. Marx sums this up as ‘free competition, accompanied by a social and political constitution adapted to it...by the economic and political sway of the bourgeois class’ (Marx & Engels 1978:478). In turn, he asserts, this political state is a unique product of the modern world, ‘because the abstraction of private life’, in other words civil society, ‘was not created until modern times’ (Marx 1992:90).

In this process, bourgeois interests established the political state as an expression of the ‘general will’, the universal interest, of all peoples who fell under its jurisdiction, in other words ‘the capacity of the [aspiring] universal class to be really universal i.e. to be the class of every citizen’ (Marx 1992:112). This was possible because unlike in other forms of society, political equality through universal freedoms enshrined in citizenship and popular sovereignty were fundamental to its existence, as expressed in the American and French Revolutions. As argued elsewhere, this was a process in which

an emergent bourgeoisie sought to legitimate their alternative order — a civil society separate from and upheld by the state — through the inclusive language of natural and inalienable rights. The separation of private (economic) from public (political) life...was presented as a moral imperative in the interests of all citizens...[which] provided the high moral ground that justified overturning the old order while simultaneously legitimating the interests of the dominant group in the new. (Kirkup & Evans 2009:224)

For those who were not already part of civil society this meant the imposition of ‘an interest “alien” to them, and “independent” of them, as in its turn a particular, peculiar “general” interest’ – that is, the bourgeois interest – by means of political, legal and armed coercion of the state (Marx & Engels 1965:46). In this way the state ‘necessarily smashed all estates, corporations, guilds and privileges’ (Marx 1992:232), indeed any social, religious or political institutions which constricted the freedom of the individual within civil society as underpinned by political citizenship. As Marx outlines in his discussion on primitive accumulation in *Capital I*, this creation of the political sphere was a violent process which has taken centuries in the parts of the world which are today at the centre of the capitalist global political economy (1990:pt.8). It depended upon both the coercive destruction of non-capitalist social relations by the state, along with the production of new property rights and market relations wherever they did not

exist previously. According to Derek Sayer '[n]egatively, much had to be legislated away before "property" and individuals could appear in their modern simplicity. Positively, rights in property and freedoms to contract had to be established' (1985:242).

In summary, the historical construction of the political sphere has produced a political-legal framework for the existence and reproduction of civil society, in which civil society is itself embedded and dependent upon, and which coercively transforms other social relations into those of the market. Whereas the state was the historically specific form produced in the context of the dissolution of feudalism in Europe, if the separation of the economic and the political is indeed 'internal' and necessary to the capitalist mode of production (D. Sayer 1985:240), as asserted in the last section, then we need to grasp the political sphere in terms wide enough to embrace this and other expressions of capital's need for 'political governance'. The idea of the singular, unitary state standing wholly apart from civil society belies the fact 'that there exists a plurality of forms of state, expressing different configurations of state/society complexes', as Cox points out (1996:86), various ways in which interests within civil society express themselves politically, both within capitalist regional spaces and on its fringes. Let us then consider how particular instances of this political governance comes into being and operates in terms of the social struggle emerging from civil society.

6.4.2. Hegemony

In the social struggle over both civil society and political society, Antonio Gramsci describes the supremacy of a single social group over the whole social formation as 'hegemony', which is

the permeation throughout civil society – including a whole range of structures and activities like trade unions, schools, the churches, and the family – of an entire system of values, attitudes, beliefs, morality, etc. that is in one way or another supportive of the established order and the class interests that dominate it. Hegemony in this sense might be described as an "organizing principle", or world-view[,]...diffused...into every area of daily life. To the extent that this prevailing consciousness is internalized by the broad masses, it becomes part of "common sense"; as all ruling elites seek to perpetuate their power, wealth, and status, they necessarily attempt to popularize their own philosophy, culture, morality, etc. and render them unchallengeable, part of the natural order of things. For hegemony to assert itself successfully in any society, therefore, it must operate in a dualistic manner: as a "general conception of life" for the masses, and as a "scholastic

programme” or set of principles which is advanced by a sector of the intellectuals. (Boggs 1976:39)

To Gramsci, such hegemony is not static but rather always in flux. Hegemony emerges from the dynamic of social struggle, and perpetuates this struggle through the dichotomy between dominance and resistance. To maintain its position hegemony is permanently reproducing itself through the construction of a broad base of consensus, ‘[t]he “spontaneous” consent given by the great masses of the population to the general direction imposed on social life by the dominant fundamental group.’ Those outside this consensus are in turn kept in check by mechanisms of coercion, ‘which “legally” [enforce] discipline on those groups who do not “consent” either actively or passively’. And at its extremes, this coercive apparatus is ‘constituted for the whole of society in anticipation of moments of crisis of command and direction when spontaneous consent has failed’ (1971:12). Such hegemony thus depends upon the maintenance of a high degree of legitimacy in the social order, sufficient on the one hand to make consensus appear as natural ‘common sense’ – as ‘the uncritical and largely unconscious way of perceiving and understanding the world that has become “common” in any given epoch’ – and on the other to make coercion appear always to be acting in the public right (Hoare & Nowell Smith, in Gramsci 1971:322).

Within this framework, resistance to the hegemonic view of society, when united in outlook and purpose, can form a counter-hegemony, a concrete and alternative view of society backed by particular interests, which stands opposed to the hegemonic consciousness, and which organises and diffuses itself throughout society. The initial period Gramsci termed ‘war of position’: the fight to dominate civil society. At times of social crisis, when the legitimacy of the incumbent hegemonic view of society is undermined, the hegemony and counter-hegemony come into direct conflict, a ‘war of manoeuvre’ over control of political society, in which the prior hegemony may be displaced by the counter-hegemony (Cox 1983). The war of manoeuvre is not necessarily a period of violence, as Gramsci argues (1971:232); it is rather the period of upheaval in which institutions of political governance become the battleground for the struggle fought in civil society. Its form will be historically specific in each case.

6.4.3. *Disciplinary governance*

Through its everyday re-assertion of the general interest through discourse, policy, the police, judiciary, military, and other elements of the political apparatus, the political sphere is actively engaged in the social struggle by perpetuating and enforcing the hegemony of the dominant group (Marx & Engels 1965:78-81). This is partly explained by Gramsci in how a particular worldview becomes 'common sense', as though 'part of the natural order of things,' discussed above. But lacking here is some notion of the coercive mechanisms of discipline, normalisation and regulation inscribed within this process.

For this we turn to Stephen Gill's notion of discipline, which he has drawn from Foucault, and which he outlined with regard to the specific period of globalization (considered in chapter nine) as 'disciplinary neoliberalism' (1992; 1995). In this historically specific context, disciplinary neoliberalism

combines macro- and micro-dimensions of power: the structural power of capital; the ability to promote uniformity and obedience within parties, cadres, organisations, and especially in class formations associated with transnational capital... [N]eoliberal forms of discipline are not necessarily universal nor consistent, but they are bureaucratised and institutionalised, and they operate across a range of "public" and "private" spheres. (1995:411-2)

If we are to take disciplinary neoliberalism and turn it into a notion of disciplinary governance which is common within the capitalist global political economy, we must draw out the outworking of discipline in its two general complementary movements, described here as the 'macro- and micro-dimensions of power', a clear reference to Foucault. Let us then turn to Foucault for the basis of Gill's concept.

To begin, Foucault's concept of discipline is of a 'technology' of social and individual control unique to capitalist society, one particular way in which power is exercised, aimed at 'how to keep someone under surveillance, how to control his conduct, his behaviour, his aptitudes, how to improve his performance, multiply his capacities, how to put him where he is most useful' (quoted by O'Farrell 2005:102). Discipline is 'an art of the human body...directed not only at the growth of its skills, nor at the intensification of its subjection, but at the formation of a relation that in the mechanism itself makes it more obedient as it becomes more useful...a machinery of power that explores it, breaks it down and rearranges it' (Foucault 1991:137-8). Discipline is thus exhaustively concerned

with ‘detail’ in terms of the spatial organisation of human beings, their rank and hierarchical position, the control and intensification of their temporal activity, and so forth (1991:p.3 ch.1). It is dispersed throughout society as ‘a multiplicity of often minor processes, of different origin and scattered location, which overlap, repeat, or imitate one another, support one another, distinguish themselves from one another according to their domain of application, converge and gradually produce the blueprint of a general method’ (1991:138). In short, it consists of a whole plethora of techniques, institutions and practices derived from various relations of production, each of which capital takes hold of and adopts to its own purposes within civil society.

Therefore in one sense discipline is part of the relationship between capital and labour in civil society and the workplace, seen in the intensification of labour productivity as discussed by Marx in *Capital I* (Harvey 2007, 6th lecture). But at the same time, discipline operates as a political process, as the imposition of particular social forms, discourses, behaviours, expectations, work-processes and so forth within civil society and upon labour. As already intimated, this does not solely take place in free relationships within civil society, but is imposed through discourse, policy, the police, the courts, the military, and other elements of the political apparatus, in other words within the political sphere in which civil society is embedded. Now let us look at discipline’s two complementary movements.

The macro-dimension of power suggests the transition towards increasing disciplinary authority within large-scale political structures, in the governance of Harvey’s ‘regional spaces’. In this sense, discipline refers to the creation of a ‘disciplinary society’ which from the perspective of the political-legal framework of the political sphere is productive of a particular set of social relations and individual behaviours (Foucault 1991; 2002:52-70). The micro-dimension of power, in turn, suggests a ‘web of microscopic, capillary political power...established at the level of man’s very existence’ (2002:86), which ‘may be identified neither with an institution nor with an apparatus; it is a type of power, a modality for its exercise, comprising a whole set of instruments, techniques, procedures, levels of application, targets,’ and, we must add, discourses (1991:215). The two dimensions of power are reflexive upon one another because, as Colin Gordon argues, ‘global and hierarchical structures of domination within a society depend on and operate through more local, low-level, “capillary” circuits of power relationship’ (in Foucault 2002:xxiv-xxv).

Thus by drawing together discipline and its two contemporary movements in the form employed by Stephen Gill in the analysis of contemporary neoliberalism we arrive at a notion of ‘disciplinary governance’ which appears in some ways common to the way in which the political sphere is productive of social relations and individual behaviours within civil society.

6.4.4. The management of limits

We need, finally, some way to discuss how political governance relates to what lies outside the regional spaces of civil society, along with how it manages its own limits and fringes. This takes place as the management of, first, relations with non-capitalist social formations, and second, the anarchy produced by their dissolution.

First, the political governance of regional spaces dominated by capital within civil society exists in relationship not only with other regional spaces, whether these are national states or otherwise, but also with external social formations existing according to various non-market relations. In terms of the state this has existed as ‘foreign policy’ or ‘external defence’, which is easy to pin down as the defence of society against external threat appears as the state’s essential function (Cox 1996:86). But in addition, what we are interested in here is how capitalist interests within civil society organise themselves with regards to external social formations, and in doing so have created ‘the universality of wealth...[and drawn] the dimensions of exchange over the whole world’ (Marx 1973:225). Thus we are thinking of the various ways in which this has taken place: simple mercantile relations, the slow penetration of capitalist interests into other social formations, the role of the state as the armed political guarantor of this process in the guise of foreign intervention and imperialism, and the coercive reorganisation of other social formations according to the productive demands of capital. In the following chapters we will see various forms of these processes, each of which operate as a form of political relationship rather than in terms of market processes.

The long-term effect of these political interventions is the dissolution of non-capitalist social formations. As we have already seen, on the one hand the expansion of civil society itself produces this dissolution through competition. But on the other, the intervention of capitalist political governance in these social formations acts as a catalyst in this process. As Marx argues, ‘[t]hese methods

depend in part on brute force, for instance the colonial system. But they all employ the power of the state, the concentrated and organized force of society, to hasten, as in a hothouse, the process of transformation ...[towards] the capitalist mode, and to shorten the transition' (1990:915). The forced introduction of exchange relations at gunpoint, the coercive reorganisation of non-capitalist social formations under imperialism and the colonial system, and the later establishment of global regimes which regulate and normalise trade and finance; each has politically restructured external social formations according to the rule of capital within civil society.

Yet, as Marx observed with regards to British rule in India, the dissolution of one social formation does not imply the immediate creation of another: '[a]ll the civil wars, invasions, revolutions, conquests, famines, strangely complex, rapid and destructive as the successive action in Hindostan may appear, did not go deeper than its surface. England has broken down the entire framework of Indian society, without any symptoms of reconstruction yet appearing' (1978:654-5). As Mark Duffield summarises, this breakdown of former social relations into disorder is part of Harvey's 'accumulation by dispossession', consisting of

those varied and often violent pre-modern processes of land privatization, the conversion of collective property rights into private ones, the enclosure of the commons, the monetization of production, consumption and taxation, colonial appropriation, population clearance, the slave trade, and so on, that preceded and then kick-started capitalist accumulation by providing its initiating capital and labour. (Duffield 2007:10; see Harvey 2003:ch.4)

However whereas Marx's observation of primitive accumulation seemed to imply only this pre-modern experience, accumulation by dispossession as outlined by Harvey continues apace:

Through a combination of mechanisms, accumulation by dispossession continues to shape the violent geography of continued capitalist accumulation. Periodic crises of over-accumulation lead to recurrent bouts of predation on existing dispensations and accepted entitlements as a necessary requirement for renewed accumulation...: the dispossession of peasantries, the displacement of family farming by international agribusiness, forced migration, new waves of proletarianization and re-proletarianization, the wholesale privatization of common property such as water, the suppression of indigenous forms of production and consumption, and so on. (Duffield 2007:10-1)

In this sense, when the dissolution of non-capitalist social relations outstrips the construction of new capitalist relations of production embedded in regional

spaces, there emerge anarchical spaces standing outside political governance which exert a constant pressure and threat at its limits.

Thus we reach our second component, the management of this anarchy produced at the limits of political governance by the dynamic of capital. This consists on the one hand of a vast 'surplus population' 'whose skills, status or even existence are in excess of prevailing conditions and requirements' (Duffield 2007:9), and on the other of the new social and political forms which grow to fill this anarchical space. For political governance within the global political economy, this anarchy can in both senses become 'a threat to order' through the informal and unrecorded movement of people money, goods, arms, and so forth, often as the spillover from disorder and internal war within fragile states (2007:13). These various threats of anarchy demand containment by political governance if they are not to imperil the freedom of capital within civil society. As such, the management of limits in this sense has encompassed additional forms of imperialism and violence, along with the transforming roles of global governance, foreign aid, humanitarian intervention, international occupation, and so forth. These are tied together by their role as 'instruments of global poor relief and riot control' (Cox 1997:58), intended for the secure containment of disorder at the limits of civil society within the global political economy (Duffield 2001:ch.2).

6.5. Application

As Harvey argues, 'Marx helps us to understand these processes theoretically. But ultimately we have to bring this theory to bear on existing situations within the structure of capitalist social relations at this point in history. We have to force an intersection between... theoretical abstractions...and the materialist investigations of actual historical configurations' (1975:20). And so each of the following three chapters examines a historical period within the global political economy. Each considers the historical construction of the global political economy, the operation of institutions and processes of political governance, and the production of new and transformed patterns of social exclusion, following our framework outlined in chapter four section three. There is no need here to elaborate on the particularly capitalist patterns of social exclusion; we leave these to emerge as part of our historical analysis.

7. Early Industrial England

[N]ature does not produce on the one hand owners of money or commodities, and on the other hand men possessing nothing but their own labour-power. This relation has no basis in natural history, nor does it have a social basis common to all periods of human history. It is clearly the result of a past historical development, the product of many economic revolutions, of the extinction of a whole series of older formations of social production.

Karl Marx (1990:273)

We are now ready to study the production of social exclusion within the global political economy, to reveal how it is produced within its central institution: the market. In this chapter we examine England from the period of the dissolution of feudalism onwards to discover the genesis of the capitalist mode of production in its industrial form, along with the emergence of the capitalist global political economy, and thus the initial emergence of capitalist patterns of social exclusion. We have already hinted at why we have chosen England in chapter six section two, and so we need not go over our choice again. We proceed here by investigating three characteristics of this historical period with regards to the initial emergence of a capitalist global political economy. In section one we identify the emergence of the capitalist mode of production as the agrarian capitalism which emerged from Norman feudalism; show how this led to the emergence of industrial society; then examine how this social formation was responsible for the transformation of patterns of inclusion and exclusion. Section two considers the development of the capitalist state and its role in this process, particularly the establishment of classical political economy as social truth. Last, section three explores the emergence of the global political economy and its role in transforming patterns of social exclusion on a global scale.

7.1. Agrarian capitalism and the Industrial Revolution

In this section we identify the historically specific emergence of industrial capitalism in England and how this process produced new capitalist patterns of social exclusion. We argue this in three stages. First, we argue that England came to be dominated by the historically specific capitalist mode of production in the form of 'agrarian capitalism'. Second, that capitalism was the fundamental cause of the creation of industrial society in England, generally labelled the 'Industrial

Revolution.’ And third we consider some of the well-discussed links between industrial society and patterns of social exclusion in this period.

7.1.1. *Agrarian capitalism and the national market*

England was part of the core of feudal Europe after the Norman conquest. In the following centuries the end of serfdom meant the end of labour services and arbitrary tallages, but whereas in the rest of Europe the peasantry secured legal ownership of the land from their former lords, in England there were six particular social institutions and legal rights for landowners left over from the feudal era which ensured the opposite. First, landlords were enabled by Parliament to pursue enclosure and other legal practices of dispossession (Mathias 1969:60-4; Plumb 1963:17-8; Meiksins Wood 2002:108-9). J.H. Plumb defines enclosure as ‘the replacement of two or three large open fields round a village, whose strips were owned individually but whose crops and stock were controlled by the community of owners, according to ancient rights and practices, by smaller, individually owned fields whose cropping and stocking could be controlled by the owner’ (1963:18n). According to Peter Mathias, enclosure in particular had a devastating effect on those ‘who had made ends meet by their rights of common over fens, commons, wastes, woods, heaths and moors...Even where their rights of common were converted into the offer of a small plot of land of which they had legal title, the expense of setting up as a smallholder in enclosing the land was more than they could usually bear, and the plots were very often too small to be economic’ (1969:60). Thus the ‘real essence of enclosure was the extinction of customary rights – the traditional rights that permitted people to make use in various ways of land held in common or even “privately” – for example, the right to gather wood or to collect the remnants of harvests’ (Meiksins Wood & Wood 1997:15). Justification was provided by the leading intellectuals of the time who were attempting to understand the vast changes taking place in their society; foremost was John Locke’s famous theory of property in his *Second Treatise of Government*, published 1689:

Though the earth, and all inferior creatures, be common to all men, yet every man has a property in his own person: that no body has any right to but himself. The labour of his body, and the work of his hands, we may say, are properly his. Whatsoever then he removes out of the state that nature hath provided, and left it

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in, he hath mixed his labour with, and joined to it something that is his own, and thereby makes it his property. (1996:320; see Meiksins Wood & Wood 1997:123-30)

Second, the combination of the demographic collapse of the late fourteenth century and the right of landlords to charge fines at will on sale or inheritance allowed many landlords to add former customary land to their demesnes (Brenner 1987:46-7). Third, England differed from much of Europe in practicing primogeniture, where titles to land were kept with the eldest son instead of being distributed among all sons, and otherwise daughters, as was common elsewhere. Fourth, periods of low agricultural prices and high war taxes upon the land 'sapped the profits of smaller, less efficient estates, whose owners had no income from other sources'. Habakkuk suggests 1730-50 and 1690-1715 respectively (Mathias 1969:55). Fifth, new legal terms of strict entail and raising a mortgage emerged in the 18th century intended to increase dowries and encourage marriage of daughters to other landowners; this had the effect of concentrating two estates into one upon marriage. Strict entail was

an arrangement seeking to prevent the head of the family from selling any part of the estate, short of outright bankruptcy. Its effect was to make the son of a landed family a life tenant of the estate [and to ensure the] better mortgage terms also gained. Legal refinements created the ruling that, provided the annual interest continued to be paid on the loan, a creditor could not demand sale of land... This ruling made mortgage a much more long-term loan, the interest being a burden only on the income of the estate. Provided that remained secure estates could now carry permanently a very high load of debt on mortgage from one generation to another quite safely. (Mathias 1969:55)

And sixth, larger landowners benefited from what we now call economies of scale, especially the capacity to employ specialised professional staff, only possible through their economic extraction of surplus, discussed below. Thus, on the one hand, by the 1790s, the gentry owned 80-85% of all land in England (Mingay 1973:25); for example, 'scarcely an acre of Bedfordshire did not belong to [the Dukes of Bedford]: in every county there were a few families, usually aristocratic, who possessed similar riches' (Plumb 1963:18; see Hobsbawm 1990:28-9). On the other, 40-50% of all English families were wage-earning by 1750 (R. Porter 1990:85).

With the high concentration of landownership grew the concentration of power in the state. Due in part to the experience of the Normans, public authority was more centralised in the English state than elsewhere in Europe, where, in contrast,

the state shared sovereignty with post-feudal military powers, legal systems, and corporate privileges (Meiksins Wood 2002:98). Driven by the unique nature of English social relations based upon concentrated landownership and production for market, landowners as a class pooled in the state their power over direct military, religious, political, customary and legal access to surplus so as to maximise their economic rights to the surplus of their own property. Although in many ways similar to absolutist states emerging in continental Europe, instead of being a route for personal aggrandisement through extra-economic access to surplus, the state in England developed towards the protection of the rights of property-owners and furtherance of their interests abroad (Mathias 1969:32-3). This close relationship between state and aristocracy is visible in the growth of parliamentary institutions, suffrage dependent upon property-ownership, and Protestantism, which supported the supremacy of state and market over the church (Brenner 1987:58). Whereas landowning families on the continent kept themselves separate from merchant families to protect their privileged rights to surplus through the state, there was no such division within the English upper class between merchants and landowners, and later, indeed, industrialists, because here social power was being universalised into the form of money (Mathias 1969:53-6; Bowden 1965:153).

This high concentration of landownership and state power in England created the 'landlord / capitalist tenant / wage-labourer structure' of the countryside (Brenner 1987:49; see Mathias 1969:50-1). Between landed aristocracy and wage-labour

there was a broad range of landholders, from prosperous to "middling" and downright impoverished freeholders and tenants...At the upper end, the "yeomanry" was hardly distinguishable from the gentry; and those with sufficient freehold property enjoyed the parliamentary franchise. Below them were smaller farmers, freeholders or copyholders; and together with their urban counterparts, small tradesmen, lesser craftsmen and officials, they comprised 20-30 per cent of the population. (Meiksins Wood & Wood 1997:11)

Landlords, who were now less able to extract surplus through custom or law, came to depend upon the productivity of their land, and not rent-seeking in public office like in *ancien régime* France, for access to surplus (Brenner 1987:59-60; Meiksins Wood 2002:103-5). The market increasingly took on a new coercive role for both tenants and their wage-labourers: instead of being an *opportunity* to buy cheap and sell dear outside a tributary mode of production, it became an *imperative* upon which survival and material reproduction was wholly dependent

(Meiksins Wood 2002:100). This meant 'writing improvement clauses into one's leases, choosing good tenants, encouraging the more efficient kinds of farming, getting one's steward to keep the tenants up to scratch;' in sum, maximising the productivity of labour (Mathias 1969:58). As Meiksins Wood points out that the word 'farmer' literally means tenant (2002:99-100). The tenant's imperative to increase productivity led to what she terms an 'ethic of improvement' visible across the whole social formation which made experimentation and adoption of new processes and techniques in other areas of life commonplace and linked them to the pursuit of monetary profits (2002:105-8). In this sense we see in turn that the original meaning of the word 'improve' was based on the Old French for coming 'into profit': it did not mean to make better in general but to make better for monetary profit, especially to cultivate land for profit (2002:106). In addition, it placed great strain on the smaller members of the rural social structure to join the system or to be pushed out by the spread of this market imperative (Mathias 1969:60). According to Hobsbawm, the period 1760 to 1830 saw the final stripping away of the undergrowth of smallholders and cottagers, who could no longer survive in competition with the 'medium-sized commercial tenant-farmer operating with hired labour' (Hobsbawm 1995a:17).

Agrarian capitalism in England was part of a broad mercantile trend including the growth of a complex national market centred on London, the world's largest by the eighteenth century, which was described in particular detail by Daniel Defoe in *The Complete English Tradesman* (1726). This was based not on the limited trade in luxuries in towns, which was the general foundation of the European mercantile system, but instead on the rural and urban demand for basic household goods generated for the most part by the expansion of agrarian capitalism. It was, in essence, 'the world's first integrated and competitive market' based upon 'cost-effective production;' in other words based upon profits made upon production and not upon circulation (Meiksins Wood & Wood 1997:14). This is revealed by the consistent improvement of the means of circulation, as opposed to their control and limitation according to merchant's capital. First, England, full of navigable rivers already, saw the huge extension of canals and roads to speed up the transportation of goods and people (Braudel 1984:367). Second, a banking system emerged to facilitate a network of distribution from London outwards into the hinterland by means of agents who operated on commissions and credits (Defoe 1726:ch.24; Kerridge 1988; Meiksins Wood 2002:135). And third, English towns grew not primarily as places of

manufacturing, as in Europe, but as 'centres of commerce and services' (DuPlessis 1997:113). This was especially the case with London, which was 'the hub of a country-wide distribution network, the heart of both domestic and international trade' (Meiksins Wood & Wood 1997:14). 'The entire economy of England was ruled from London,' according to Braudel. 'Political centralization, the power of the English Crown, the highly concentrated nature of trade, all combined to make the capital great. But this greatness itself imposed an order on the area it dominated and throughout which it set up a wealth of administrative and trading connections' (1984:365). As Defoe remarks,

the magnitude of the city of London adds very considerably to the greatness of the inland trade; for as this city is the centre of our trade, so all the manufactures are brought hither, and from hence circulated again to all the country, as they are particularly called for. But that is not all; the magnitude of the city influences the whole nation also in the article of provisions, and something is raised in every county in England, however remote, for the supply of London; nay, all the best of every produce is brought hither; so that all the people, and all the lands in England, seem to be at work for, or employed by, or on the account of, this overgrown city.

This makes the trade increase prodigiously, even as the city itself increases; and we all know the city is very greatly increased within few years past. Again, as the whole nation is employed to feed and clothe this city, so here is the money, by which all the people in the whole nation seem to be supported and maintained. (1726:ch.23)

In this unique role, London's population grew from around 60,000 in 1530 to 900,000 in 1801, supported not by foreign trade like the cities of the Netherlands (the only other state of comparable urbanisation) but by domestic rural production (Hobsbawm 1990:27-8; Rudé 1970:36; Meiksins Wood 2002:99,133-4).

Those uprooted from relations of dependence upon the land who were not incorporated within agrarian capitalism were drawn into manufacturing of some sort. By the early part of the eighteenth century, as we have seen in the case of London, merchants 'had become the dominating figures in English industry' (Plumb 1963:22). On the one hand, urban manufacturing took place through the guild system, which, like their former ties to the land, tied labour to particular handicrafts. An urban merchant, writes Marx, 'could buy every kind of commodity, but he could not buy labour as a commodity. He existed only on sufferance, as a dealer in the products of the handicrafts...the worker and his means of production remained closely united, like the snail with its shell' (Marx 1990:479-80; see Braudel 1983:314-6). On the other hand was rural domestic

industry, especially in clothmaking, to which urban merchants were drawn when urban competition became too great. In the countryside merchants entered into production by placing orders with craftsmen employing family labour and hired hands, or by the putting-out system where merchants distributed raw materials and rented out simple machines to their craftsmen who worked on their own properties (Hobsbawm 1995a:19-20; Ramsay 1982:26-7). Here merchants were not limited by guild restrictions; all factors of production became increasingly available on the market. In competition with one another, merchants were drawn to extend their control over circulation to encompass labour and production as well. In situations where the domestic system could no longer expand primarily by drawing dispossessed labour into its existing relations of production, competition drove merchants to take control of the production process to lower costs, by driving down wages and lengthening the working day, which led the male labourer to make his wife and children members of the workforce, and by introducing new machinery, such that by 1750 Britain was 'already famous for machines' (Hobsbawm 1990:25).

On the eve of the Industrial Revolution, therefore, the English social formation was radically different to any other in the world. Access to surplus was mediated not by political, legal or religious relations of dependence but by economic relations of compulsion: landowners were coerced into seeking greater rent from their land; tenants were coerced into seeking higher productivity on the land they rented; merchants were coerced into entering production; and labour was coerced into employment. Agrarian capitalism took shape not according to the dissolution of restrictions on land, labour and capital, in other words by 'the negation of the limits and barriers peculiar to the stages of production preceding capital', but by the emergence of a particular social relation, that between capital and wage-labour, which made survival and material reproduction dependent upon the transformation of nature towards increasing labour productivity, which was the imperative of the market. This was the basis for the emergence of industrial capitalism. As Marx argues,

These limits became barriers only after the forces of production and the relations of intercourse had developed sufficiently to enable capital as such to emerge as the dominant principle of production. The limits which it tore down were barriers to its motion, its development and realization. It is by no means the case that it thereby suspended all limits, nor all barriers, but rather only the limits not corresponding to it, which were barriers to it. (1973:649-50)

7.1.2. *Capitalist industrialisation*

Within the English social formation, founded increasingly in terms of its capitalist agriculture, Eric Wolf argues that the spread of capitalism in industry occurred entirely as a product of the textile industry. 'In cloth production mercantile wealth was visibly transformed into capital, as it acquired the dual function of purchasing machines and raw materials, on the one hand, and buying human energy to power their operation, on the other' (1982:267). From the fifteenth century England had been moving from raising sheep for exports of wool to producing domestic woollen manufactures for sale on the market. 'From the earliest times, the woollen industry was generating its own wholesalers, entrepreneurs and employers in the clothmen or clothiers whose business it was to sell the cloths for further distribution rather than immediate consumption' (Ramsay 1982:50). London merchants went to provincial towns, drawing the product from initial producers, supervising its processing, and speeding it to market. Its complexity lent itself to a broad division of labour within the domestic system; for example, producing woollens 'involved the skills of more than a score of various craftsmen and half-a-dozen or more changes of ownership' (1982:9; see Addy 1976:7-9; Hobsbawm 1995a:19-20).

According to Wolf, English textiles continued to grow through the mercantile expansion of the domestic system until Dutch and Indian competition increasingly threatened its existence into the 18th century (E.R. Wolf 1982:270-1). The first threat was the use by Dutch manufacture of superior techniques in the dying and finishing of cloth. To meet this competition English producers shifted to the production of 'new draperies' - mixtures of wool with silk, linen or cotton - as well as lighter worsteds in which both warp and weft were of combined wool. This was done more cheaply through moving production to the countryside and later through centralising the production process in particular locations, which further lowered costs and increased labour discipline (Hilton 2006:9-10; E.R. Wolf 1982:275-6). According to Wolf, those who did so

were not the big London merchants of Blackwell Hall, the London cloth mart, but rather the provincial merchants and their agents or factors involved in the commercial networks of the putting-out system. These merchants and factors began to extend their supervision over the finishing stages of cloth production, its bleaching, dying, and printing, in order to obtain standardized products that could compete with cloth produced abroad. (E.R. Wolf 1982:271-2)

From finishing these producers moved to controlling the production of yarn either by becoming producers themselves or by motivating the owners of workshops to adopt new machines. This occurred most prominently in Lancashire.

However, this simple cost advantage was not sufficient to overcome, second, the competition of Indian producers. Indian calicoes were initially cheaper and technically better than any made in Europe, and the East India Company sought to export these from India in the largest possible quantities (Hobsbawm 1995a:33). Together, Dutch and Indian competition had generated substantial and repeated export declines in the period 1720-90 (Mann 1971:ch.2), and the response, led by mercantile interests in the City of London, was to compel the government to expand the control of textile markets both at home and abroad. With the protection of trade as a key policy, the Royal Navy became the dominant power at sea giving the government the greatest capacity to control access to trade routes, and the various treaty settlements of conflicts with France were used as opportunities to secure colonial trade posts and limit foreign access. Parliament acted to forbid the printing and importing of calicoes by the East India Company (Hill 1969:253) – periodically this was allowed again and then banned – and to secure imports of raw wool from Ireland and cotton from other parts of the Empire. Three additional factors worked in their favour: first, the wars with France played their part by periodically preventing trade with Europe, and thereby protecting English manufacturers from potential European imports; second, wars in and around the Indian subcontinent regularly removed the problem of imported calicoes; and third, the supply of raw cotton from the Southern States was able to expand to meet English demand, becoming dependent on English shipping and the English-led slave trade. By the early nineteenth century, the merchants of England had created a monopoly for domestic textile producers (Hobsbawm 1995a:34-5). The result was that the last half of the 18th century saw the demand of cotton grow insatiably, at home in the national market of dispossessed labour buying necessities with their wages, through the rise of the national market centred on London, and abroad through the mercantile capture of foreign markets. It was so great that between 1750 and 1769 the export of British cottons increased more than ten times (1995a:34).

These short-lived surges of foreign competition coerced individuals to seek their survival and material reproduction in the market alone. But this focus on foreign competition generates a rather state-centric view, of Dutch and Indian

producers in competition with English producers, as though each was a separate, united entity. If domestic industry could expand only by physical expansion, that is by the addition of more and more dispossessed labour all of equal productivity, this foreign competition would have soon made this rural industry unsustainable. But instead, this foreign competition came upon the only social formation in the world founded upon the capitalist mode of production, in which survival and material reproduction were not dependent upon the expansion of a 'conservative' production process, but upon ever-greater productivity (Marx 1990:617). What Wolf neglects, therefore, is the creation in England of the ever-increasing 'collision of unfettered individuals who are determined only by their own interests' (Marx 1973:649), of competition as the internal dynamic of capitalism, as 'the relation of capital to itself as another capital, i.e. the real conduct of capital as capital' (Marx 1973:650). Foreign competition was not the external cause of industrial capitalism, but the 'external necessity' which increased the pace of an internal transformation. Thus, as Marx argues in *Capital I*:

The cheapening of labour-power, by sheer abuse of the labour of women and children, by sheer robbery of every normal condition needed for working and living, and by the sheer brutality of overwork and night-work, finally comes up against certain insuperable natural obstacles. This is also true of the cheapening of commodities, and of capitalist exploitation in general, which rest on these foundations. When this point has at last been reached – and this takes many years – the hour has struck for the introduction of machinery, and for a thenceforth rapid conversion of the scattered domestic industries, as well as the manufactures, into factory industries. (1990:599)

From the perspective of capital, both are means of increasing the productivity of labour and therefore accumulation, and thus the one led imperceptibly into the other.

English domestic industry, which to this point had held firm to the form of handicrafts, was confronted by the dynamic of capital. The supply of labour was growing much more slowly than demand, and in itself it had little capacity to become more productive per person (E.R. Wolf 1982:274-5). Merchants and owners of workshops who had centralised production in mills and factories were now coerced by the market into taking the risk of employing money as capital by purchasing various new machines and water mills (and later steam engines) to power them. This would not have been possible before the advent of factories because without them the cost of testing new processes on this scale would have been much more prohibitive (Hilton 2006:10), nor without the willingness to

adopt new practices fostered by the ethic of improvement. Factories themselves were only possible because of the laws which had created such a high concentration of landownership, a necessary precondition for the purchase of land and its complex transformation into a factory site, as revealed, for example, by the plans of Richard Arkwright's Birkacre mill in Chorley, built in 1777 (Addy 1976:25). It was this adoption of specific and expensive machinery and plant which had begun to change the relationship of commerce to industry and introduced to the world for the first time what Marx termed 'industrial capitalism' (Polanyi 1957:74-5). It did so in two senses. First, the Lancashire textile industry had started producing manufactured textiles (and indeed demanding raw wool and cotton) 'in such vast quantities and at such rapidly diminishing cost, as to be no longer dependent on existing demand, but to create its own market' (Hobsbawm 1995a:32). According to Marx:

As soon as manufacture gains sufficient strength, and particularly large-scale industry, it creates in its turn a market for itself, by capturing it through its commodities. At this point commerce becomes the servant of industrial production, for which continued expansion of the market becomes a vital necessity. Ever more extended mass production floods the existing market and thereby works continually for a still greater expansion of this market for breaking out of its limits. (1959:336)

Second, once spinning became mechanised, capital directed investment to overcome one-by-one the bottlenecks of production in the pursuit of profit-maximisation in linked industries: it was employed to introduce new machines in weaving, to synchronise the output of spinning and weaving, and in the long-term to mechanise all other linked steps in the production process. Indeed, every limit appeared 'as a barrier to be overcome' such that the process was reciprocal: once each new industry became subject to capital investment it started to create its own market of mass demand and mass supply. Capital, once money had been used in this historically specific form in industry, created its own dynamic which strove to maximise surplus value through the transformation of production.

7.1.3. New capitalist patterns of social exclusion

In *Hard Times*, published 1854, Charles Dickens writes

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This, again, was one of the fictions of Coketown. Any capitalist there, who had made sixty thousand pounds out of sixpence, always professed to wonder why the sixty thousand nearest Hands didn't each make sixty thousand pounds out of sixpence, and more or less reproached them every one for not accomplishing the little feat. What I did you can do. Why don't you go and do it? (Dickens 1854:ch.18)

Indeed what *did* stop everyone making sixty thousand pounds out of sixpence? This question must have appeared just as sensible to the included and prosperous members of civil society in 1854 as it does to the same category of people today who observe the extent of global inequality and wonder why it persists. The reason, as we have hinted, is that the capitalist mode of production is not at its base one of opportunity, but instead creates structures which both transform assets into capital, and separate those in relations of dependence from every means of production and subsistence other than that earned from selling their labour. Three new patterns of social exclusion were particular to this period in England, all of which were essential to the ever-expanding reproduction of capital within civil society. First, a new form of citizenship according to the ownership of private property. Second, the transformation of all labour into the form of wage-labour, structured within a new industrial division of labour. And third, the creation of a vast surplus population.

First, the historical construction of industrial capitalism led to the emergence of citizenship according to the ownership of private property, in other words wealth which could be employed as capital. There developed a set of graduated divisions between the working class and the propertied classes. On the one hand this led to the emergence of a new working class. The imposition of mechanisation and the market imperative was 'not upon raw material, but upon the free-born Englishmen..., the inheritor of Bunyan, of remembered village rights, of notions of equality before the law, of craft traditions' (Thompson 1991:213), all products of agrarian capitalism. Workers were driven to work longer and harder by higher prices and lower wages (Hilton 2006:11-2); they were dislocated from the parishes of their birth and to a large degree lost the culture and religion of their parents and grandparents, and as a result they became somewhat defined by taking up the cross of Methodism, which held hard work as one of the key tenets of Christianity (Hill 1969:264); and, as though to keep them in the forefront of their minds, their dwellings were clustered around the dark Satanic mills to which they had been uprooted from their former lives.

On the other was the rise of the middle, landed, industrial and commercial classes, owners of property, who stood in a position to make money out of more

money, and expand capitalist inequality in their favour. These groups became the targets of new industrial forms of resistance, the common factor in which, according to Rudé was ‘violence to property,’ such that ‘[f]ar more frequent in the course of such disputes than assaults on persons and private dwellings were attacks on industrial property, workshops, and machinery’ (1964:70). In London the riot crowd was mixed, including ‘cottagers, small freeholders, rural craftsmen, weavers, farm labourers and miners of the countryside; and, in the towns, the small shopkeepers and stall-holders, the master craftsmen and wage-earners (whether skilled or unskilled)’ (1970:26). Their common bond was their dependence upon wages for survival and material reproduction. In turn, new forms of non-violent resistance such as the strike were only made possible by wage-employment and the prevalence of money in society (1964:66-7). These were distinctive by their ‘attachment to the *traditional* ways (or believed traditional ways) of the old village community or urban craft and its violent reaction to the sort of changes promoted, in the name of “progress,” by governments, capitalists, corn-merchants, speculative landlords or city authorities. So we find the constant and continuous presentation of demands for the “restoration” of “lost” rights...,’ those lost by the dissolution of ties to the land or to handicrafts in domestic industry (Rudé 1970:21, 22-3, emphasis retained). Property was seen as the oppressor, the key social institution which led to the dissolution of labour’s former rights to welfare under the Poor Laws, discussed in the next section.

Second, labour was transformed into wage-labour in two ways. On the one hand, all labour was homogenised into the form of wage-labour. On the other, wage-labour was differentiated according to symbolic factors employed to reinforce the new industrial division of labour. To examine this we consider the transformation of female and child labour, the introduction of new labour disciplines and supervision, and the emergence of a labour aristocracy.

Female and child labour were essential components of agrarian capitalism and domestic industry. Although their labour was often subsumed within the labour of the family as a whole, family members were directed into employment where the household earned its subsistence through wage-labour. In many cases children were sent ‘to work as soon as they were able to earn a few pence’ (Pinchbeck & Hewitt 1973:390, quoted by Horrell & Humphries 1995:487). In cases where labour was in particular demand, other members of the household were drawn into entering this relationship, visible, for example, in the prominence of female

labour in the textile industry (Maynes 2004:52-5, 61). According to Maxine Berg, '[w]here wages were higher for women, there were some limited possibilities of gaining an independent subsistence, and in such cases single women did work independently or in groups outside the family economy. Such work could support women as individuals, but could do so generally for only limited phases of the life cycle' (1993:40).

However in most cases, the family remained a single, integrated unit, as exemplified by the New Poor Laws reform which we consider in the next section. Industrial capitalism emerged immediately into conflict with this prevailing structure of domestic manufacture, which had bound labour to merchants, tools, homesteads, apprenticeships and the urban guilds. Industrialists were thus faced with the need to find new sources of labour free from these restrictions, and found them in women and children, applying very few differences according to gender and age (Horrell & Humphries 1995:487-8). According to Berg, 'manufacturers and inventors saw the technical and profit-making advantages in using a new workforce which could be integrated with the new techniques, in such a way as to bypass traditional artisan customs and arrangements' (1993:35). In addition female and child labour was viewed as less likely to generate organised resistance to new labour disciplines and supervision employed in the factory. 'Machinery,' as Marx points out, 'by [the] excessive addition of women and children to the working personnel, ...breaks the resistance which the male workers had continued to oppose to the despotism of capital throughout the period of manufacture (1990:526). Thus the new processes emerging in large-scale industry were aimed at the unskilled:

It is evident in Britain that women and children were simply assumed to be the key workforce to be targeted with any novelty in manufacturing methods. Machines and processes were invented with this workforce in mind. New techniques in calico printing and spinning provide classic examples of experimentation on a child and female workforce. In calico printing, processes were broken down into a series of operations performed particularly well by teenage girls who contributed manual dexterity (learned at home) with high labour intensity. The spinning jenny was first invented for use by a young girl, its horizontal wheel making it uncomfortable for an adult worker to use for any length of time. (Berg 1993:34; see E.R. Wolf 1982:359)

For these reasons women and children were drawn out of the household and into the workforce on an immense scale, in most instances under the direction of the male head of the household, to join the ever-greater numbers of workers and greater intensity of unskilled, un-gendered work (Horrell & Humphries 1995).

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In turn, this homogenisation led to the institution of new time and work disciplines and supervision, which ‘subject[ed] the previously independent worker to the discipline and command of capital’ (Marx 1990:481). Whereas work in domestic industry and agrarian capitalism had often consisted of working within the family unit, according to David Landes, ‘[n]ow the work had to be done in a factory, at a pace set by tireless, inanimate equipment, as part of a large team that had to begin, pause, and stop in unison-all under the close eye of overseers, enforcing assiduity by moral, pecuniary, occasionally even physical means of compulsion’ (1969:276). Of the uniqueness of the early industrial period in England, E.P. Thompson writes, ‘[t]hose who are employed experience a distinction between their employer’s time and their “own” time. And the employer must use the time of his labour, and see it is not wasted: not the task but the value of time when reduced to money is dominant. Time is now currency: it is not passed but spent’ (1967:61). Indeed ‘all time must be consumed, marketed, put to use; it is offensive for the labour force merely to “pass the time”’ (1967:90-1). Because of this every stage of the production process became subject to supervision, according to Marx,

The technical subordination of the worker to the uniform motion of the instruments of labour, and the peculiar composition of the working group, consisting as it does of individuals of both sexes and all ages, gives rise to a barrack-like discipline, and brings the...labour of superintendence to its fullest development, thereby dividing the workers into manual labourers and overseers, into the private soldiers and the N.C.O.s of an industrial army. (1990:549)

As Foucault observes, this supervision ‘ran right through the labour process; it did not bear – or not only – on production (the nature and quantity of raw materials, the type of instruments used, the dimensions and quality of the products); it also took into account the activity of the men, their skill, the way they set about their tasks, their promptness, their zeal, their behaviour’ (1991:174).

The factory, or perhaps more broadly capital’s command over the workplace, is key in this process, according to Marx. ‘All work at a machine requires the worker to be taught from childhood upwards, in order that he may learn to adapt his own movements to the uniform and unceasing motion of an automaton’ (1990:546). The comparison with what came before is stark:

In handicrafts and manufacture, the worker makes use of a tool; in the factory, the machine makes use of him. There the movements of the instrument of labour

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proceed from him, here it is the movements of the machine that he must follow. In manufacture the workers are the parts of a living mechanism. In the factory we have a lifeless mechanism which is independent of the workers, who are incorporated into it as its living appendages. (1990:548)

In this way, Marx argues, within the factory '[m]achinery is misused in order to transform the worker, from his very childhood, into a part of a specialized machine. In this way...his helpless dependence upon the factory as a whole, and therefore upon the capitalist, is rendered complete' (1990:547). Capital's full command over the workplace within the factory made possible the worker's complete subjection to the production process through means not possible under any prior mode of production. These notions of discipline and surveillance are considered further in the next chapter in the discussion on Fordism.

Through this homogenisation and the introduction of new disciplinary and supervisory practices a new industrial division of labour emerged which created many differentiations according to skill and pay. Unskilled labour, comprising for the most part women and children, served only at the base of this hierarchy (Berg 1993:40). In contrast stood the many distinctions of the labour aristocracy which grew to fit this new industrial division of labour. According to Hobsbawm, 'labour aristocrats generally enjoyed the power to make their labor artificially scarce, by restricting entry to the profession, or by other means' (1974:155). A portion of all grades were co-opted in this process, working under a direct 'profit incentive'. 'Thus the engineering employer might subcontract the building of a locomotive to a "piece-master" who would employ and pay his own craftsmen out of the price; and these in turn would employ and pay their own laborers. The employer might also hire and pay foremen, who in turn would hire, and have a financial interest in paying, such labor as did not work on subcontract' (1974:162). This was 'prevalent in the iron and steel industry, iron shipbuilding, a part of coal mining (notably the Midlands), all small-scale workshop of "sweated" trades, many transport trades such as dock-labor, in the period of rapid construction, in public works, railway and mine-construction and the like, and in several other trades' (1974:163-4). Skilled male labour employed symbolic distinctions of gender, age, race and religion to reinforce their position in the hierarchy, as we consider further in the following section.

Last, as Marx observes, the dissolution of former relations of production in the construction of agrarian and industrial capitalism, along with its periodic crises, had the effect of producing a vast 'surplus population, which is compelled to

submit to the dictates of capital' (1990:531-2). Wolf describes this as the capitalist mode of production's general tendency 'to create a "disposable mass" of laborers out of diverse populations, and to then throw that mass into the breach to meet the changing needs of capital' (E. R. Wolf 1982:380). This population existed in the poor sections of the cities and towns on the fringes of propertied society, consisting mostly of the vast numbers of unskilled workers. Wholly freed from the means of production and subsistence, its survival and material production was determined by the market imperative alone; they existed in a state of market dependency, in conditions of 'extremely irregular employment' (Marx 1990:796).

Marx, in his critique of Thomas Malthus, argues this is an essential component of the capitalist mode of production. 'It forms a disposable industrial reserve army, which belongs to capital just as absolutely as if the latter had bred it at its own cost. Independently of the limits of the actual increase of population, it creates a mass of human material always ready for exploitation by capital in the interests of capital's own changing valorization requirements' (1990:784). In the rapid transformation of production processes, in the continual adoption of new techniques, in the rapid expansion of particular industries, in 'all such cases, there must be the possibility of suddenly throwing great masses of men into the decisive areas without doing any damage to the scale of production in other spheres. The surplus population supplies these masses' (1990:785). Indeed, its growth is a function of the expansion of capital: the 'same causes which develop the expansive power of capital, also develop the labour-power at its disposal' (1990:798).

This population existed at the level of subsistence, as though Ricardo's Iron Law of wages, which put forward that the market or 'natural price of labour is that price which is necessary to enable the labourers, one with another, to subsist and to perpetuate their race, without either increase or diminution' was a simple truism (1821:5.1). From this surplus population we find mass emigration to the colonies, 'following capital, which has itself emigrated' in the search for higher rates of profit (Marx 1990:794). In turn, as Marx argues, their existence had a fundamentally important effect in the regulation of wages, keeping them as low as possible to maximise the exploitation of employed labour (Marx 1990:792). And its 'lowest sediment' was that of pauperism. To Marx this consisted of

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vagabonds, criminals, prostitutes...orphans and pauper children...the demoralized, the ragged, and those unable to work, chiefly people who succumb to their incapacity for adaptation...people who have lived beyond the worker's average life-span; and the victims of industry, whose number increases with the growth of dangerous machinery, of mines, chemical works, etc., the mutilated, the sickly, the widows, etc. (1990:797)

Thus in its vast capacity for social transformation capital produced and reproduced in England a surplus population on the fringes of civil society, wholly dependent upon capital for its survival and material production, yet for the most part superfluous to its productive demands, vulnerable to market crashes, the predation of usurers, epidemics, the price of food and housing and labour, and so on. In this sense we see the absolute poverty in Manchester in Elizabeth Gaskell's *Mary Barton*, and in Engel's *The Condition of the Working Class in England in 1844*:

The couple of hundred houses, which belong to old Manchester, have been long since abandoned by their original inhabitants; the industrial epoch alone has crammed into them the swarms of workers whom they now shelter; the industrial epoch alone has built up every spot between these old houses to win a covering for the masses whom it has conjured hither from the agricultural districts and from Ireland; the industrial epoch alone enables the owners of these cattlesheds to rent them for high prices to human beings, to plunder the poverty of the workers, to undermine the health of thousands, in order that they *alone*, the owners, may grow rich. In the industrial epoch alone it has become possible that the worker scarcely freed from feudal servitude could be used as mere material, a mere chattel; that he must let himself be crowded into a dwelling too bad for every other, which he for his hard-earned wages buys the right to let go utterly to ruin...[W]here a superfluous passage remained, it has been built up...with sole reference to the highest possible profit on the principle that *no hole is so bad but that some poor creature must take it who can pay for nothing better*. (Engels 1978:584, emphasis retained)

7.2. The laissez-faire state and free trade orthodoxy

In this section we investigate, first, how the development of the *laissez-faire* state in Britain took place according to the rule of capital within civil society. And second we consider how this new form of the state became a central agent in transforming the social formation and thereby patterns of social exclusion according to capital, particularly with regards to the transformation of the Poor Laws, education, and the imposition of classical political economy as social truth.

7.2.1. *The English fiscal-military state*

The eighteenth century British 'fiscal-military state' was the culmination of the unique English route out of feudalism, created by the interrelationship of agrarian capitalism and merchant's capital. According to Harling and Mandler,

the old picture – of a small, amateurish, corrupt central apparatus largely maintained (between sporadic wars) to dignify the crown and assist gentlemanly (i.e. parliamentary) plunder – has been pretty completely effaced. We now see that by the end of the French wars the British state was one of the largest and most efficient in Europe; certainly it engorged the largest proportion of national product by means of a ruthlessly regressive tax system. The French wars were the climax, not the sole begetters of this system, which had been spawned by a chain of wars mounting in scope and sophistication since the late seventeenth century and requiring commensurate improvements in fiscal policy. (1993:44)

By 1815 the British state had defeated all international rivals through war and diplomacy. Domestically, the Crown and associated conceptions of Divine Right had been subordinated to Parliament and private property as a result of the Civil War of 1642–51 (Morton 1976:228-30). Its three main goals were the 'maintenance of a modicum of public order, the conduct of foreign policy, and the defense of the realm' (Brewer 1989; Harling and Mandler 1993:48-9; Mathias & O'Brien 1976; P.K. O'Brien 1988).

The maintenance of public order was founded upon rights to private property. The British state was the site of conflict between those who viewed the state as a route to surplus in itself and those who viewed it as a guarantor for their private economic extraction of surplus. Of the former, official and semi-official positions within the Royal Navy and East India Company were considered opportunities for extra-economic aggrandisement in a similar fashion to the way in which public office was viewed within absolutist states on the continent (Hilton 2006:55,155,232; Philips 1961:15-6). In this sense, Queen Elizabeth I declared upon the inauguration of the East India Company that she was to 'adventure after merchandise, gold, pearl, jewels and other commodities, which are to be bought, bartered, procured, exchanged, or otherwise obtained' (quoted by Hall 1996:328). But opinions were changing. When William Cobbett declared such practice 'Old Corruption' it seemed to resonate with public opinion because it was less and less in keeping with the legal framework upheld by the courts and Parliament of the absolute primacy of private rights over property (Harling & Mandler 1993:67). These were every day being tested and upheld by law, such that 'Britain's

representative and constitutional monarchy and common law judiciary created the most active state apparatus in Europe' (Harris 2004:205-11,225-35; see DuPlessis 1997:180; Mathias 1969:34-9). Key contributing factors to this development were the effect of the Reformation in transforming Church land into private property (Morton 1976:182), and the settlements of 1660 and 1688 (Hobsbawm 1995a:31).

In addition, the British state subordinated those dispossessed from landed means of production into wage labour. Agrarian capitalism and merchant's capital generated the demand for cheap labour in agriculture and domestic industry, which created a huge cleavage in society 'between the owners of the coal-mines and cotton mills...and their employees whose interest lay in getting a share of the proceeds in their wage packets large enough to keep them alive and make their working and living conditions tolerable.' The framework of the state, along with the lack of any form of class movement other than the tradition of age-old peasant uprisings, operated in favour of the producers, such that 'In a time of unemployment, of no labour organization and no legal protection against exploitation and industrial inhumanity, the wage-earners were helplessly exposed to every kind of abuse' (Thomson 1978:37). The 1601 Poor Law Act was part of a substantial and growing social framework of local parish relief which existed to stem the social disorder of dislocations from the land. Essentially it identified two categories of pauperism: deserving and undeserving poor (Checkland & Checkland 1974:11-5). The former were provided for in full; the latter were expected to find work and only after 1795 were paid a supplementary wage under the Speenhamland system, which in turn was instigated for the same reason as the 1601 Act. At its extreme was the workhouse (Harris 2004:221-5; Longmate 1974). Although restrictions on migration (through the associated Settlement Laws) and supplementary wages (through the Speenhamland system) had a particular and negative effect on bringing people to the labour market, able-bodied male labourers, along with females in domestic and factory industry, were held directly responsible for their poverty through their own idleness, reinforcing the conception of wage labour (Thomson 1978:15-6,68-72). Furthermore, throughout this period official religious divides were gradually diminished by the state, especially for Protestant dissenters, allowing them to take a fuller part in private and public life (Thomson 1978:58-62).

The other role of the British state was defence and foreign policy. Britain and its mercantile rivals competed over their share of European and world trade (Hill

1969:pt.4 ch.2 sec.4). But British policy was slowly changing from that of her rivals towards access to trade being sought to create better terms for the imports and exports of the home market. If we look at trade regulation, for example, Ireland was forbidden to export anything but raw materials to Britain (Morton 1976:264, Ramsay 1982:66), in 1614 England banned the export of undressed cloth and raw wool, a continuation of the trend of 1489-1536 (DuPlessis 1997:113; Ramsay 1982:19,61), and the domestic cloth industry was protected from foreign, particularly Indian, imports of manufactures (Morton 1976:336; Ramsay 1982:33-4,66-7). After American independence, 'British trade involved a world-wide search for markets, with the emphasis on raw materials for import and manufactured goods for export' (E. J. Evans 2001:46). Another example is its role in continental wars in the seventeenth and eighteenth centuries, the vast majority of which resulted in the opening of trading opportunities to British merchants, for example the Dutch wars of the 17th century (Hill 1969:228), the War of the League of Augsburg 1689-97, the War of the Spanish Succession 1701-13 (Morton 1976:291), and the four major wars 1739-83, including the Seven Years' War (E. J. Evans 2001:37). Through these the British state carved and protected a position for its home market 'as the first trading nation of the world' (E. J. Evans 2001:37). This was a sign of the growth mercantile control over domestic industry, where their profits were increasingly being realised in production and not in circulation. An added corollary of this process was the huge accumulation of national debt since 1691. According to Boyd Hilton, '[b]efore 1740 most of it had been incurred through loans from three great corporations - the Bank of England and the South Sea and East India companies - but since then it had expanded mainly by means of public loans raised in the London money market in return for various types of government stock, mostly perpetual annuities, and carrying various rates of interest. Share certificates representing government stock were bought and sold like bills of exchange' (Hilton 2006:114; see Braudel 1984:375-9). The funding of the fiscal-military state played a considerable role in producing the massively complex domestic money market centred on London (Mathias 1969:46-8), and created a huge agglomeration of capital (Morton 1976:294).

7.2.2. *Retrenchment and laissez-faire*

The final crisis of the fiscal-military state came about through its success in the Napoleonic wars. From 1700 to 1815 military spending and debt service never accounted for less than 85% of public spending during wartime. But in the following period there was, for the dominant commercial classes, in other words those who sought surplus privately, little use for such a large state apparatus operating according to by Old Corruption. Instead, within England its role was seen increasingly, on the one hand, as the guarantor of private property through its universal mediator, money; and, on the other, as the key actor in subordinating labour into the form of wage-labour (Harling 1995; Harling & Mandler 1993). We will consider this point by charting the changing face of resistance in this period and reflecting on the changes in the state which drove this process.

The American and French Revolutions weighed heavily on the collective mind of the British ruling class throughout this period. There had been a real panic after 1793 of drift towards a similar revolution in Britain, as we see in Edmund Burke's *Reflections*. Thus the maintenance of public order was undertaken in this light, according to which we see the military repression of the working class movement: '[b]etween 1811 and 1813, the Luddite crisis; in 1817 the Pentridge Rising; in 1819, Peterloo' (Thompson 1991:209). But what was the social source of this resistance? According to Thompson, '[t]he British people were noted throughout Europe for their turbulence, and the people of London astonished foreign visitors by their lack of deference. The eighteenth and early nineteenth century are punctuated by riot, occasioned by bread prices, turnpikes and tolls, excise, "rescue", strikes, new machinery, enclosures, press-gangs and a score of other grievances' (1991:66). These grievances were predominantly aimed at other members of civil society, not the state; they exploded into outbursts of 'violence to property,' not revolutionary fervour. They concerned capitalist market imperatives and the insecurity of wage-labour. Indeed, the battlefield for this resistance was civil society. This was because in England the state was for the most part removed from the extraction of surplus; it was no longer directly involved in the exploitation of labour. It acted above all else according to the rule of law, 'which was both dispassionate in its adjudication of substantial property-rights and passionately vengeful against those who transgressed against them' (Thompson 1978:42).

The nascent trade union movement is a good example of the 'economic' nature of this resistance (Thomson 1978:51-2). It was made possible by the new patterns of combination and employment within the industrial division of labour. They existed because of the demand for better working conditions and pay, which could only be won from employers, not the state. Unions were repressed because of the apparent threat, and thus only possibly in skilled employment in which labour held some form of monopoly within the production process. According to Rudé,

Trade unions, or "combinations," were...expressly forbidden by Act of Parliament – among tailors in 1721 and 1767; in the woollen trades in 1726; in 1749, in the silk, linen, cotton, fustian, iron, and leather trades and others; and, universally, by the notorious Combination Act of 1799. Under such conditions, to combine in unions was a precarious venture. Unions were generally secret or disguised, sporadic and short lived; more stable and permanent forms of organization could only be attempted (as indeed they were) by highly skilled and relatively highly paid workers like tailors, curriers, hatters, woolcombers, brushmakers, basketmakers and calico printers. (1964:68)

By the early 1820s, however, the battlefield had shifted. Alongside civil society there had emerged an increasingly plural *laissez-faire* state. This shift was visible in the 1824 repeal of the Combination Act. Resistance, from both working class and commercial groups, emerged in the form of 'the proliferation of trade union activity, Owenite propaganda, Radical journalism, the Ten Hours Movement, the revolutionary crisis of 1831-2; and, beyond that, the multitude of movements which made up Chartism' (Thompson 1991:66). Struggles took place over securing 'political' rights to pay, employment, suffrage and representation in Parliament, beginning with removing the barriers of political exclusion. For the commercial classes this culminated in the Reform Act of 1832, which created many new urban constituencies in Parliament, shifting representation away from the landed classes (Thomson 1978:39-56). The working class sought to overcome a number of factors. First, many existed outside the medieval parish system, inevitable by their dislocation from the land, and were thus often ineligible for poor relief. Second, only the highest rungs of the new labour aristocracy had inadequate income to vote. Third, many were dissenters and therefore either ineligible for public office according to the Test and Corporations Acts, or otherwise disadvantaged according to the high social position of the Anglican faith (Thompson 1991:29). And last, many were illiterate, as considered below.

Indeed, these moves were on the whole welcomed by the state, its prime motive to gain legitimacy in the face of social opposition (Thomson 1878:33-4,40). To achieve this it drew in the new disaffected groups thrown together by the vast expansion of civil society under industrial capitalism. So when we encounter the debate over state intervention and *laissez-faire* in the nineteenth century, we see that the state acted upon social concerns as it was lobbied, not from some grand design (Burn, in Gordon 1971:188). When possible it avoided intervention altogether, as in the case of famine (E. J. Evans 2001:54), but often intervention was impossible because the state was being left behind by the pace of social transformation. Charles Kingsley and Samuel Smiles, both public proponents of *laissez-faire*, found themselves arguing in their later years for the state to catch up and act on the social problems of the day. This appearance of reaction, as opposed to action, driven too by the decentralisation of English government as noted by de Tocqueville, was a primary reason for our false enduring conception of a plural *laissez-faire* state, the arbiter of civil society (Gordon 1971:181-7).

But this negative view of the nineteenth-century British state is false because it overshadows its active role in transforming the social formation towards capitalist relations. It neglects, for example, the positive and productive 'invisible' everyday workings of the rule of law and its piecemeal reforms which made the new industrial society appear universal. We will pursue two examples: the reform of the Poor Laws and the transformation of education.

First, the Poor Laws were reformed to encourage wage labour. The trend towards poverty and pauperism had been exacerbated by the Speenhamland system, and during the early nineteenth century spending on poor relief had become a regular source of Parliamentary crises (Dean 1991:ch.9). According to the Poor Law Report of 1834, the writers of whom were influenced by the arguments of Malthus and Ricardo, the incentive to enter the labour market was lessened by poor relief in the form of supplementary wages, and this was the source of such high levels of spending (Checkland & Checkland 1974:34-5; E. J. Evans 2001:52-3). By 1803 14.7% of a population of about 9m were eligible for poor relief (Harris 2004:221); annual spending per annum rose to a peak of £7.9m in 1818 (E. J. Evans 2001:511, fig. D.vii.1). In a period of retrenchment, and with the threat of revolution diminishing over time, this cost and the threat of social disturbance emanating from pauperism became too great for the interests represented in Parliament. Its role was also questioned on theological grounds:

for example, Rev. Thomas Chalmers argued against the Poor Laws as the disintegrators of familial responsibility (Checkland & Checkland 1974:27-8). This crisis led to the 1834 Poor Law Amendment Act (Dean 1991:159-63; King & Tomkins 2003:2-3). According to Mitchell Dean, this Act transferred responsibility for material provision from the parishes and onto the male breadwinner along Malthusian lines:

The liberal state, through the poor law, sought to define a sphere of private economic responsibility and dependency which only ceased with the infirmity or death of the (male) household head...it was founded on a strategy which assumed the sphere of familial responsibility was natural and that, in the absence of any palatable alternative, such would be the choice of the propertyless labourer. (1991:171)

Their only other option would be relief in workhouses, which were now put to the test of 'less eligibility,' such that they were to have a lower standard of living than that of the lowest-paid worker (Checkland & Checkland 1974:38-9). To Polanyi, this reform was a crucial condition of the formation of the first national capitalist labour market (1957).

Second, the labour and education of children was transformed according to the demands of the new industrial division of labour. At the beginning of this period childhood was thought to end between the ages of five and seven because children were essential to agriculture and domestic industry. Equally, in various industries children were drafted into serving as unskilled labour in place of an insufficient number of male workers (Minge-Kalman 1978:455,458; Tuttle 1999), in part by the New Poor Laws (Humphries 2003:188). But this was not all. According to Douglas Galbi, '[w]ork in mechanized factories required regular attendance and consistent effort, respect for tools and machinery used but not owned, tolerance for close supervision, a willingness to work under non-personal contract, and the ability to work in close quarters with a large number of persons. In late eighteenth century Britain, these were largely new kinds of skills' (1997:358). As such these skills were taught to the child labourers pushed into factory work by male household heads. Thus, '[f]rom an initial division of labor strongly skewed toward children, the factories produced a new adult workforce from their child workers. The growing up of a generation of child factory workers improved the quality of adult factory workers and created a reserve pool of adults with factory experience' (1997:373).

The scale of their employment was substantial, according to Jane Humphries: '[c]hildren and young people made up one- to two-thirds of all workers in many textile mills in 1833, and they regularly represented more than a quarter of the workforce in mines in 1842' (Humphries 2003:177). But as the development of the industrial division of labour altered around mid-century according to the new manufacture of chemicals, iron and steel and the mechanisation of agriculture, newer skills were sought at every turn (Minge-Kalman 1978:458-9; Lazonick 1978:26; Musgrave 1967:252). This coincided with, first, the working class education movement aimed at securing political rights, only possible by increased literacy and political awareness (Minge-Kalman 1978:460-1); second, the religious education movement, particularly led by newly-established Methodist Sunday schools (Laqueur 1974:104); and, third, the extension of the Factory Acts to cover greater and greater numbers of children. A new consensus grew around the initiation and then extension of state schooling, sought on the one hand to discipline the next generation for new industrial practices, and on the other by the working class to continue the struggle towards political citizenship.

7.2.3. *Free trade orthodoxy*

The state, then, had come to adopt a form which supported the growing dominance of industrial capitalism. The final victory of commercial interests was the repeal of the Corn Laws, which took place according to the prominence of a new form of social truth, political economy. According to Thomson, '[i]n the period between 1815 and 1848 [the free trade movement] began as a purely utilitarian and piecemeal movement...it ended as a doctrinaire force making for complete freedom of trade, backed by a whole philosophy of commercial liberalism and a new popular faith in the virtues of free competitive enterprise' (1978:77-8). Here we will chart the development of classical political economy and its transformation of the state.

The hegemony of classical political economy as social truth grew around Adam Smith's *Wealth of Nations* (Hilton 2006:21; E. J. Evans 2001:47). His arguments stemmed directly from his observations of the efficacy of the division of labour and the inefficiency of mercantilism in action (Plumb 1963:22-3; Semmel 1970:150-1). His arguments for the freedom of trade spoke to the already-existing mercantile class interest of the advantage of free trade to those with a

lead in productivity, for this was what success depended upon in a free trade environment (Bowden 1965:194; E. J. Evans 2001:48). Smith explicitly contrasted free trade and the 'mercantile system', and in this trend his key followers were Tucker, Ricardo, James Mill and McCulloch (Eldridge 1978:28-31; Smith 1993:IV.8). According to Bernard Semmel, 1800-40 was the key period in the rise of political economy as truth, which led to it being regularly invoked in Parliament in the same fashion Holy Scripture had been in the seventeenth century (1970:7,133).

Arthur Taylor argues that this occurred through the dissemination of classical economic ideas in a simplified and distorted form (A.J. Taylor 1972:ch.4). It was 'translated into a few simple dogmatic propositions by self-made journalist-publishers who hymned the virtues of capitalism', such as in *The Economist*, the *Leeds Mercury*, the *Manchester Guardian* and the *Manchester Times* (Hobsbawm 1995a:186). In part this stemmed from the language used by classical economists: their 'economic laws' were indeed *analytical* laws, but were not intended to apply rigidly in proscribing policy and economic behaviour (A.J. Taylor 1972:25). Such 'vulgar' political economy was taught by teachers in working class schools and by governesses to the children of the middle and upper classes alike; it was the moral of the popular novels of Harriet Martineau, and outlined explicitly in her appendices (Gordon 1971:190-6). In Parliament, William Huskisson, President of the Board of Trade 1823-7, played a large role in making piecemeal moves towards free trade (Eldridge 1978:30); 1830 saw wage assessments ended, the Statute of Apprentices repealed, and the Assize of Bread abolished in London (A.J. Taylor 1972:50). In terms of the Corn Law debate, a section of Richard Cobden's speech in the House of Commons on 15 May 1843, in support of an anti-Corn law resolution moved by C.P. Villiers, MP for Wolverhampton, shows the nature of this new social truth in action: '[i]f free trade be theoretically right – if it is as old as truth itself, why is it not applicable to the state and circumstances of this country? What! truth not applicable; then there must be something very false in your system, if truth cannot harmonise with it' (quoted by McCord 1970:71-3).

According to Hobsbawm, the classical (and capitalist) liberalism of the British Enlightenment was rationalist and secular, containing a progressive view of society, enshrining its central unit as the individual, and making its components appear as part of the natural order. The social truth of classical political economy was in one sense derived from the 'truth' of rational science based upon these principles. 'The daring innovation of the classical rationalists had been to

demonstrate that something like logically compulsory laws were applicable to human consciousness and free decision...The conviction that they were as far beyond liking and disliking as the laws of gravity (with which they were often compared) lent a ruthless certainty to the capitalists of the early nineteenth century' (1995a:283). In turn, Locke's philosophy of private property was employed to cement it as a social institution 'beyond the range of interference and attack as the most basic of "natural rights"' (Hobsbawm 1995a:237). Such liberty of the individual was then seen as the 'birthright' of the free-born Englishman; in what other conditions but those of agrarian capitalism, in particular its ruthless separation of the labourer from the means of production, could such a widespread individualism have taken hold? The most extreme abstraction was Benthamite utilitarianism, in which everything was subordinated to the individualist maxim of 'the greatest happiness for the greatest number' (Hobsbawm 1995a:236; see A.J. Taylor 1972:ch.5).

In another sense, the social truth of classical political economy was cemented by its alignment with the religious truth of the age, especially Protestant dissent. For example, John Bright argued in 1845 that free trade was more than a mere policy designed by political man; it was 'a plan laid down by the Creator of man when man was first created' (quoted by Gordon 1971:201). In their campaigning he and Richard Cobden essentially preached the 'gospel of free trade' (Thomson 1978:80-1). In addition, Marx recalls a certain Dr. Browning, who exclaimed at a public meeting that 'Jesus Christ is Free Trade, and Free Trade is Jesus Christ' (1848). According to Hobsbawm, this was suited to an age of revival in 'militant, literal, old-fashioned religion,' which had been due to the upheavals of industrial capitalism:

For the masses it was, in the main, a method of coping with the increasingly bleak and inhuman oppressive society of middle-class liberalism...For the middle classes...religion could be a powerful moral prop, a justification of their social existence against the united contempt and hatred of traditional society, and an engine of their expansion. It liberated them from the fetters of that society...It gave their profits a moral title greater than that of mere rational self-interest; it legitimized their harshness towards the oppressed; it united with trade to bring civilization to the heathen and sales to business. (1995a:229)

Thus political economy and religion was deeply intertwined. 'There was an order in the universe, but it was no longer the order of the past. There was only one God, whose name was steam and spoke in the voice of Malthus, McCulloch, and anyone who employed machinery' (Hobsbawm 1995a:186). Richard Cobden

epitomised this fusion in a speech to the Free Trade Hall, Manchester, 15 January 1846, an event at which the seats had been removed so more people could attend:

I believe that the physical gain will be the smallest gain to humanity from the success of this principle. I look farther; I see in the Free Trade principle that which shall act on the moral world as the principle of gravitation in the universe – drawing men together, thrusting aside the antagonism of race, and creed, and language, and uniting us in the bonds of eternal peace. I have speculated, and probably dreamt, in the dim future – ay, a thousand years hence – I have speculated on what the effect of the triumph of this principle may be. I believe that the effect will be to change the face of the world, so as to introduce a system of government entirely distinct from that which now prevails. I believe that the desire and the motive for large and mighty empires; for gigantic armies and great navies – for those materials which are used for the destruction of life and the desolation of the rewards of labour – will die away; I believe such things will cease to be necessary, or to be used, when man becomes one family, and freely exchanges the fruits of his labour with his brother man. (Quoted by McCord 1970:73-4)

And so, when the Corn Laws were repealed in 1846, and the production and sale of foodstuffs entrusted in full to market forces, we see the new ideal of the ‘political’ state fully emerged. It existed to support industrial capitalism and transform the whole of ‘economic’ civil society into relations of private property and wage labour, according to ‘the absolute faith in economic liberalism, and the rejection of non-economic activities’ (Hobsbawm 1995a:189; see Mathias 1969:18; Bowden 1965:136). Even the Irish famine was allowed to run its course through faith in the market as the agent of Providence (E.J. Evans 2001:54). Repeal was accompanied by the abolition of the East India Company monopoly, the West India sugar preference, and the Navigation Acts (Hilton 2006:543). The times had changed so drastically that in 1853 the future Prime Minister Benjamin Disraeli remarked that nothing remained of protection but ‘rags and tatters’ (quoted by Eldridge 1978:30-1). The result was the decades of the 1850s and 60s, commonly thought of as *pax Britannica*, in which ‘[t]imes were good for the British capitalists, and they regarded their good fortune as a law of nature and expected it to last for ever’ (Morton 1976:406). Protection would return to the centre of debate by the end of the century, but as a concept it would no longer be linked to the control of circulation: in future it would be associated with altering the balance of new forms of industrial competition.

7.3. *The world market*

The argument of this section is that the emergence of a new *global* political economy extended both industrial capitalism and the regional specialisation of particular non-capitalist modes of production according to a new industrial capitalist pattern of demand and supply. In doing so, patterns of social exclusion became transformed according to the rule of capital, particularly through urbanisation and migration, the addition of a racial component within the labour aristocracy, regional specialisation, the dissolution of non-capitalist modes of production in their transformation towards production for exchange, and the imposition of forced patterns of labour within colonial empires. Before we begin let us highlight the processes of transformation at work with regards to the world market.

According to Hobsbawm, 'the major fact about the nineteenth century is the creation of a single global economy, progressively reaching into the most remote corners of the world, an increasingly dense web of economic transactions, communications and movements of goods, money and people linking the developed countries with each other and with the undeveloped world' (1989:62). This was a result of two processes. First, as we have seen, once industries became subjected to the rule of capital they created their own markets for mass demand and supply, which led to a massive transformation in the world market such that commerce became subject to the requirements of industry: an ever-increasing supply of raw materials and demand for manufactures. Second, the nineteenth century saw the development of key technologies which increased the geographical reach of the global political economy: railways, clippers, steamships, the telegraph, and, in a different sense, the Suez Canal. Through these 'the geographical size of the capitalist economy could suddenly multiply as the intensity of its business transactions increased. The entire globe became part of this economy,' first those areas accessible via coast, canal and river, and, second, the hinterland opened up by railways. The two were linked: industrial capitalism produced the technologies of geographical expansion, and expansion increased the demand for industry. 'The world's trade between 1800 and 1840 had not quite doubled. Between 1850 and 1870 it increased by 260 per cent' (1995b:33-4).

Therefore, whereas the mercantile world market had been a loose set of links between otherwise discrete social formations, the newly emerging global political

economy brought those within its geographical reach into intensive interaction under its imperative of accumulation. As such it became 'an articulated system of capitalist, semi-capitalist, and pre-capitalist relations of production, linked to each other by capitalist relations of exchange and dominated by the capitalist world market', or global political economy (Mandel 1978:48-9, quoted by E.R. Wolf 1982:297). According to Wolf, '[u]nder the growing worldwide predominance of capitalism, the market was transformed into an arena of articulation and conflict between contending modes of production, expressed in the exchange of their diverse commodities. Capitalism did not always abrogate other modes of production, but it reached and transformed peoples' lives from a distance as often as it did so directly' (E.R. Wolf 1982:310-1).

7.3.1. The spread of industrialisation

As Wolf argues, industrial capitalism expanded through the perpetual rhythm of advance and crisis inherent in the process of accumulation. 'Phases of advance in capital accumulation gave way to downturns; periods of optimistic expansion were followed by periods of uncertainty and gloom. Each phase of advance opened up new theaters of operation and new zones of supply. Each downturn challenged the dominant course of capital investment and raised the spectre of contracting markets' (E.R. Wolf 1982:311). Capital moved to and emerged in geographical locations and social formations where the expected rate of profit was highest, which was determined by the presence and security of surplus labour, markets for the means of production, and markets for produced commodities (Harvey 1975:9). In other words those which had been transformed towards the universal adoption of exchange values along European lines: Northern Europe (and to a lesser degree Italy and Russia also), the British settler colonies, the US and Japan.

The spread of industrial capitalism came in tandem with the delineation of nation-state borders in Europe, beginning with those of the Great Powers. According to Wolf, the 'nineteenth century was...a century of nation building - a century of economic and political incorporation, of linguistic standardization, and of the creation, imposition, and diffusion of hegemonic cultural patterns' (E.R. Wolf 1982:361). In the 1860s the more or less capitalist states of Britain, France, Belgium, Holland and Scandinavia were joined by the united territories of Germany

and Italy, the USA (newly reunited after the Civil War), and Japan, which embarked upon the shift towards Western norms after the Meiji restoration in 1868 (Hobsbawm 1995b:ch.5). It was, however, an uneven process, both within and among states, promoting the existence of capitalist and non-capitalist relations side-by-side according to the particular imperatives of the market at any one time. According to Mandel, ‘the differences in the level of profit arise out of the competition of capitals and the inexorable condemnation of all firms, branches and areas which fall behind in this race and are thus forced to surrender part of their “own” surplus value to those in the lead. What is this process, other than the continual production of underdeveloped firms, branches, areas and regions?’ (Mandel 1978:85, quoted by E.R. Wolf 1982:303-4). And as Justin Rosenberg argues, we find that within the global political economy the competition among states is ultimately founded upon the same anarchy as the competition within civil society (1994:142-6).

According to Hobsbawm, the governments of Germany and Japan influenced the process of industrialisation in a very direct form. Whereas other states followed the pattern of Britain and allowed the progress of industrialisation to take its course (a great deal through being overtaken by the pace of change and the inability of the state to intervene), the ruling classes of both Germany and Japan actively promoted industrialisation in key sectors and the formation of a national market. The German *Zollverein*, or political ‘customs union’ of greater Germany united under Prussia, became an important national market which by 1913 had outstripped Britain in its exports (Hobsbawm 1989:46-7; 1995b:150-1). Japan, although culturally very different to Europe, shared many of its social structures: it was a feudal society with a form of mercantile superstructure, which, like Britain, was led by a ruling elite with the capacity for change. ‘The Japanese elite possessed a state apparatus and a social structure capable of controlling the movement of an entire society. [They] were in the historically exceptional position of being able to mobilize the traditional mechanism of social obedience for the purposes of a sudden, radical but controlled ‘westernization’ with no greater resistance than a scattering of *samurai* dissidence and peasant rebellion.’ The Meiji restoration of 1868, a ‘revolution from above,’ was the result of the failure of the old feudal order to cope with the impact of the global political economy, and the victory of the new progressive elite. Subsequent reform led to the abolition of old feudal structures to be replaced by a central state administration, a decimal currency, a system of finance and public loans, and land tax, all based on private,

not communal, property (Hobsbawm 1995b:148-54). This state-led industrialism was an alternative route to industrialisation to those states which could transform their social formations into a form that suited capital, with a secure supply of surplus labour, markets for means of production and markets for produced commodities, along with European norms.

According to the demands of industrial capitalism, urbanisation and migration became the major human trends of the nineteenth century. By 1900 Britain was urbanised, with over 40% of its population living in cities of over 100,000 people, a development mirrored across the industrialised world (E.R. Wolf 1982:360). This was made possible by the dislocations produced by the world market, within which 'labor began to flow from regions where people were underemployed, or displaced from agriculture or cottage industries, toward regions of heightened industrial or agricultural activity. The subsequent growth and expansion of capitalism evoked massive relocations of human populations as people carried their labor and resources from areas where they were redundant or obsolete to new key areas of accumulation' (E.R. Wolf 1982:361). In particular this exacerbated already existing rural / urban divides and reproduced them on a global scale.

Labour, too, was being transformed, particularly in the addition of a racial component to the labour aristocracy. The expansion of industrial capitalism led everywhere to 'the juxtaposition of groups of different social and cultural origins' (E.R. Wolf 1982:357), to divisions by race and ethnicity among other factors of identity, which served 'to allocate different categories of workers to rungs on the scale of labor markets, relegating the stigmatized populations to the lower levels and insulating the higher echelons from competition from below.' Such divisions were not created by this process, rather existing patterns were transformed and reinforced (E.R. Wolf 1982:380). Hobsbawm argues that, for the first time on a global scale, '[h]umanity was divided by "race", an idea which penetrated the ideology of the period almost as deeply as "progress"' (Hobsbawm 1989:32).

7.3.2. Mercantile expansion and regional specialisation

Up to the 1850s and 60s, the golden age of *Pax Britannica*, the British Empire sought a 'fair field and no favour' in the markets of others. It rarely promoted British business interests explicitly; for example it did not seek commercial or

financial concessions for its nationals in foreign countries, except for one or two exceptions. The reason, as explained in the prior section, was that 'Britain was far enough ahead of its rivals to win the prizes in most open competitions. The rules of the game were made for her. The effect therefore was the same as if her government had actively campaigned for trading and financial concessions on her behalf' (B. Porter 1975:6). In addition, 'whatever the future rivalry between capitalist economies, at this stage of industrialization the advantage of being able to draw upon the equipment, the resources and know-how of Britain was distinctly helpful' (Hobsbawm 1995b:39). Between the Napoleonic Wars and the 1870s European spheres of influence had remained mostly unchanged beneath the 'creeping colonialism' of European rule, which occurred as a last resort through the need to secure access to trade in situations of insecurity and threat. Many territories remained mostly outside the global political economy, subject only to very minimal and superficial contact.

From the 1870s the capitalist states entered into a new period of intense national competition and concentration of capital, a focus on securing national 'powers of production' as per the arguments of Friedrich List's *National System of Political Economy* (1909). According to Lenin, '[t]he enormous growth of industry and the remarkably rapid process of concentration of production in ever-larger enterprises are one of the most characteristic features of capitalism' (1916:ch.1); 'private and state monopolies are interwoven... both are but separate links in the imperialist struggle between the big monopolists for the division of the world' (1916:ch.6). The dynamic of capitals seeking the highest rate of profit remained, but the route to surplus of those newly emerging changed from free trade to imperialism. Capitalist states, which had so far followed the British lead, began now to resist British hegemony. National capitals sought the extension of protective tariffs and barriers, such as the German *Zollverein*, based on the borders of the new nation-states and their imperial blocs, which would create environments within which they could operate at a higher rate of profit without being undercut by British competition.

National competition led to two distinct results in the non-industrial world: first, the capture of territories by states no longer contented with the status quo; and, second, British imposition of formal administration where informal access was threatened. This process, the 'New Imperialism', was the emergence of a new type of colonial empire. Between 1880 and 1914 those parts of the world not under the jurisdiction of recognised nation-states were 'formally partitioned into

territories under the formal rule or informal political domination of one or other of a handful of states: mainly Great Britain, France, Germany, Italy, the Netherlands, Belgium, the USA and Japan.’ In particular this occurred to the territories of Africa and the Pacific – it was the period of the ‘Scramble for Africa’ – but in addition territories of the old empires were wrested away to become parts of the new, such as the Philippines changing hands from Spain to the US in 1898. It also meant the division of ostensibly independent Asian empires into ‘zones of influence’, such as in the Anglo-Russian agreement over Persia in 1907. Only Latin America, sheltered somewhat by the Monroe Doctrine of the USA, the informal dominance of the British Empire, and its nominal rule by independent states, remained outside of this process (Hobsbawm 1989:57-8). It led to a formal British Empire spanning one-fifth of the globe, even though annexation was never more than a last resort when trade was threatened, either by political instability, as in Egypt 1882 (E.R. Wolf 1982:301), or by European rivals (B. Porter 1975:27-8,74-7).

The pressure of industrial competition upon social formations without surplus labour, markets for means of production and commodities produced led to the dissolution of landed and tributary modes of production and their transformation towards production for exchange. Non-capitalist modes of production were extended and new forms of agriculture and raw-material extraction such as the plantation were imposed, such that whole geographical regions became specialised in the production of a particular raw material, food crop, or stimulant for export (E.R. Wolf 1982:ch.11). In terms of agriculture, this took the form of the spread of plantations and small farms which produced solely for export, predominantly in American West, Eastern Germany and Southern Russia. British administrators increased the acreage of rice in Lower Burma nine-fold between 1855 and 1881. Rubber exports from Brazil rose from 27 tons in 1827 to an annual 20,000 tons by 1900. Exports of West African palm oil rose from 1,000 tons in 1810 to an average of 50,000 tons per annum 1860-1900. The export of sugar, coffee, tea and opium increased rapidly in line with demand. In each case wealth was earned which was traded for manufactured goods, increasingly demanded as part of Western fashion and culture and tools of industry, available only by import.

In turn this led to huge social upheavals within the various non-capitalist social formations both directed by the market and by imperial rule. For example, the production of rubber in Brazil led to a considerable migration of labour from the northeast, the so-called *flagelados*, fleeing the downturn in sugar production and

the drought of 1877-1880 which was responsible for some 200,000 deaths. In turn, the lives of Amazonian Indians such as the Mundurucú were forever changed by the new relations of exchange: 'Mundurucú, trader, merchant, and export-import firm all became linked in an expanding network of production and circulation' (E.R. Wolf 1982:329). Within the colonies new patterns of forced migration and labour were imposed, seen in the case of indentured labour within the British Empire. After the slave trade was banned within the British Empire in 1808, sugar plantation owners who had depended upon slave labour demanded a new source of labour. A stopgap solution was the interception of slave ships headed for Brazil and the release of those transported into nominal freedom on plantation islands (Furtado 1963:135); a longer-term alternative was the state-sponsored transport of indentured labourers on set contracts from East India to plantations in the tropics, what Hugh Tinker calls 'the second slavery'. Between one and two million were coerced, in part by the market's dissolution of the old relations of production, and in part by British administrators, were transported to Mauritius, Guyana, Trinidad, Jamaica, Natal, Australia, Assam, Bhutan, Fiji, Burma, Malaya and Nepal by 1870 (Tinker 1974:114-5; E.R. Wolf 1982:333-4,368-71).

8. The post-war Golden Age

let us be frank about it - most of our people have never had it so good... Go around the country, go to the industrial towns, go to the farms and you will see a state of prosperity such as we have never had in my lifetime - nor indeed in the history of this country.

Harold Macmillan (1957)

In this chapter we examine the post-war 'Golden Age' from 1945 to 1970 (Marglin & Schor 1991). In this period the capitalist world order appeared to break all the bounds of prior growth rates, productive capacity, employment levels and market demand as it faced the global superpower competition of the Cold War, such that W.W. Rostow in *The World Economy* argued that the unprecedented growth of the Golden Age of the 1950s and 60s was continuing where the *belle époque* of 1875-1913 and the precious few boom years of the late-1920s left off (1978:ch.5). The Golden Age was an era in which 'the dominant ideology of progress took it for granted that the growing domination of nature by man was the very measure of humanity's advance' (Hobsbawm 1994:261). This belief in the permanency of growth and progress became so dominant that in *The Affluent Society*, published 1960, John Kenneth Galbraith argued that it had become the 'conventional wisdom' (1985:chs.9-12). This, however, belies the reality and tragedy of the 1914-45 period. Revolution, fascism, economic collapse and two world wars made a decisive break with 19th-century civilisation, and avoiding its pitfalls was the key factor in determining the shape of the Golden Age. After 1945 there emerged no possibility of a return to what had come before. The idea of *laissez-faire* had been wholly discredited. In section one we show how this period was historically constructed in response to the decline of the pre-1913 era of *laissez-faire*. Section two divides the Golden Age into three components - Fordism, Keynesianism and the Bretton Woods system - and considers how each contributed to the production and transformation of patterns of social exclusion. Lastly, section three considers the cases of national independence and development in the same fashion. Once more our aim is to reveal the ways in which social exclusion was produced within the global political economy through its central institution: the market.

8.1. *The decline of laissez-faire*

According to Hobsbawm, European civilization of the 19th century,

was capitalist in its economy [consisting of both free trade and the nationalist reaction]; liberal in its legal and constitutional structure; bourgeois in the image of its characteristic hegemonic class; glorying in the advance of science, knowledge and education, material and moral progress; and profoundly convinced of the centrality of Europe, birthplace of the revolutions of the sciences, arts, politics and industry, whose economy had penetrated, and whose soldiers had conquered and subjugated most of the world; whose populations had grown until (including the vast and growing outflow of European emigrants and their descendants) they had risen to form a third of the human race; and whose major states constituted the system of world politics. (1994:6-7)

In many ways this civilization was merely a top-layer above the various social formations existing within the global political economy, which it depended upon for its own existence. Yet the global political economy which it was constructing led both to the dissolution of these social formations upon which it depended, and, through its competitive contradictions, the crisis of 1914-45 which threatened its very existence. This period saw the end of *laissez-faire*, and generated the two major determinants and trends of the post-war capitalist order: first, war, the fear of war and the repayment of past war; second, the fear of economic collapse, which would mean stagnation, unemployment, disorder and the overthrow of national governments.

On the one hand, the fear of war. This period marked the breakdown of 19th-century civilization, which since 1815, apart from brief skirmishes, had been free from major conflict among the great powers (Hobsbawm 1994:ch.1 sec.III; Myrdal 1960:117-9). The First and Second World Wars were global, total wars 'waged for unlimited ends,' which for the first time in history involved all sections of the combatant societies. The First involved the mass mobilisation of men for the forces, 12.5% in Britain, 15.4% in Germany, nearly 17% in France; the Second saw mobilisation around the 20% mark (Milward 1979:216, quoted by Hobsbawm 1994:44). For the rest of society they were industrial wars, dependent upon mass production of all the goods needed by a mobilised society. Women were employed in industry en masse for the first time, and granted universal suffrage. Total war 'was the largest enterprise hitherto known to man, which had to be consciously organized and managed' (Hobsbawm 1994:45), which made an enlarged state, industrial planning and close management of the population appear a necessity for the survival and material reproduction of capital.

Russia was the first state to collapse under the stress of this crisis in its Bolshevik Revolution of October 1917. The cost of the war against Germany proved too much for the imperial government of 'a peasant country that was a by-word for poverty, ignorance and backwardness.' It could not match the industrial production of Germany, and, in attempting to transform a predominantly rural society into an industrial one, pushed the country, which had been on the cusp of disorder since before the 1905 uprising, into revolution (Hobsbawm 1994:56-8). The result, after the 1918-20 Civil War, was the separation of the Soviet Union from the capitalist world order until the 1930s when diplomatic relations were re-established. The Bolshevik Revolution was a reaction to and a rejection of the changes in the Russian social formation wrought by the imposition of the global political economy and the First World War on its non-capitalist social formation. Elsewhere the Revolution was a signal fire for communist movements and parties in the expectation of the worldwide revolution. Across Europe, Latin America and China the flag of revolution was waved; 'the October revolution was universally recognized as a world-shaking event' (Hobsbawm 1994:66). This worldwide revolution may not have taken place as anticipated by Lenin or Trotsky, but the fear of revolution and communism – in other words fear of the outright rejection of capitalist civilization – became essential themes in the construction of the post-war capitalist order.

On the other hand, the fear of economic catastrophe. The Peace Settlements after the First World War created the conditions for the 'inherently unstable' 1920s and 30s and the outbreak of the next war. In their efforts to contain the Bolshevik and German threats the victorious powers imposed a penal peace upon Germany, divided her colonies among themselves, re-mapped Eastern Europe, and set up the League of Nations as an international dispute mechanism (Hobsbawm 1994:ch.1 sec.II). These signalled the fundamental rejection of integrating of Germany and the Soviet Union back into the capitalist world order which was being reconstructed in the boom period of the late-1920s. With US assistance Britain re-established the Gold Standard in 1925, long-regarded as the foundation of stable international finance (Block 1977:14-7). Share-trading in the US rose to remarkable heights (Galbraith 1975:91-3), such that in 1928 US President Calvin Coolidge reported to Congress:

No Congress of the United States ever assembled, on surveying the state of the Union, has met with a more pleasing prospect than that which appears at the present time...The great wealth created by our enterprise and industry, and saved

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by our economy, has had the widest distribution among our own people, and has gone out in a steady stream to serve the charity and the business of the world. The requirements of existence have passed beyond the standard of necessity into the region of luxury. Enlarging production is consumed by an increasing demand at home and an expanding commerce abroad. The country can regard the present with satisfaction and anticipate the future with optimism. (Quoted by Hobsbawm 1994:85)

To Polanyi, '[t]he intent of that decade was deeply conservative and expressed the almost universal conviction that only the re-establishment of the pre-1914 system, "this time on solid foundations," could restore peace and prosperity' (1957:22).

Yet within two years the global political economy was receding at a hitherto-unknown rate, symbolised by the New York Stock Exchange crash of 29 October 1929 (Galbraith 1975:chs.6,10; Hobsbawm 1994:ch.3). The 'contracting spiral of world trade', which fell from US\$2,967b in October 1929 in to \$992m in January 1933 (Kindleberger 1973:172, fig.8), led to the end of the unsustainable Gold Standard in the period 1931-3 as one-by-one states found their fixed exchange rates unsustainable in the face of capital flight and balance-of-payments deficits (Polanyi 1957:20,25). Even Britain, once champion of free trade, resorted to tariff barriers, devaluation and a system of imperial preference to stem the decline in its exports (Block 1977:27-8; Keynes 1933). According to Polanyi,

Although everybody agreed that stable currencies ultimately depended upon the freeing of trade, all except dogmatic free traders knew that measures had to be taken immediately which would inevitably restrict foreign trade and foreign payments. Import quotas, moratoria and stand-still agreements, clearing systems and bilateral trade treaties, barter arrangements, embargoes on capital exports, foreign trade control, and exchange equalization funds developed in most countries to meet the same set of circumstances. (1957:27)

Hobsbawm suggests that in this era, 'probably for the first, and so far the only, time in the history of capitalism, its fluctuations seemed to be genuinely system-endangering' (1994:87). The period saw the bankruptcy of *laissez-faire*: on the one hand the wholesale rejection of free trade and free capital movements, and on the other the growth of the state as the key actor in the economy to ensure order and protection from future economic crises through national planning.

Across the capitalist world, especially in Europe, the Depression led to the radicalisation of the political right (Hobsbawm 1994:ch.4). 'The liberal state was in many countries replaced by totalitarian dictatorships, and the central institution

of the century – production based on free markets – was superseded by new forms of economy’ (Polanyi 1957:28). The key issue was disorder caused by the collapse of national currencies and capital flight. In Germany, Japan, Spain, and across Eastern Europe, as earlier in Italy, fascist or authoritarian governments successfully took power, either peacefully, by military coup or through civil war, and justified their rule by the rejection of the liberal capitalist model of state and society. The spread of the right was so widespread that the only European countries that maintained democratic rule throughout the period 1914-1945 were Britain, Finland, Ireland, Sweden and Switzerland. In turn, it was the period of the return of the Soviet Union to the international fold, conspicuous for its continuous economic growth during the Depression (Hobsbawm 1994:96-7). As Daniel Bell argues, this radicalisation of the right and onward march of communism was but the most extreme expression of what was taking place everywhere: the rejection of the ‘rational’ worldview which had framed 19th-century *laissez-faire* (2000:epilogue). In this ‘the distinction between World Wars I and II is apparent’, according to Polanyi, ‘the former was still true to the nineteenth century type – a simple conflict of powers, released by the lapse of the balance-of-power system; the latter already is part of the world upheaval’ (1957:29).

8.2. The Golden Age

Thus, *laissez-faire* was transformed beyond recognition by the crisis period of 1914-45. The Great Depression removed any real hope of its resurrection. The global political economy thus moved into a period of intense transformation of states, industries and populations towards finding a new social basis for its existence. As Polanyi notes, ‘[w]hile at the end of the Great War nineteenth century ideals were paramount, and their influence dominated the following decade, by 1940 every vestige of the international system had disappeared and, apart from a few enclaves, the nations were living in an entirely new international setting’ (1957:23). In this section we discuss the historical construction and characteristics of this new setting, the chief institutions of which were Fordism, Keynesianism and the Bretton Woods system, and in turn their production of social exclusion.

8.2.1. Fordism

Fordist production followed the model laid out by Henry Ford, famous for the manufacture of the Model T in Detroit between 1908 and 1927. At its core was Taylorism, named after Frederick Taylor who argued that each unit of the labour force is most efficiently employed in the operation of a single task as one member of an assembly line in his central work, *The Principles of Scientific Management*, published 1911 (1911); even, as Gramsci highlights, to the point of reducing the activities of each labourer to that which could be accomplished by a trained gorilla (1971:302-3, 306-7). Here we employ Gramsci's essay *Americanism and Fordism* to reveal its production and transformation of social exclusion in terms of consumerism, the transformation of labour patterns and work disciplines and gender.

The shift from the near-perfect competition of 19th-century British *laissez-faire* – existing alongside the protectionist reaction of national capitals, such as Germany and the US – to an economy consisting of large corporations is the defining feature of industrial capitalism during the Golden Age. Fordism is predominantly an American phenomenon, and so we will concentrate on its emergence in the US. According to Bell, the US economy in the 19th century consisted in small units of production, and was therefore similar in its composition to that of Britain. He calls the US variant 'family capitalism,' where business ventures were owned and managed within individual families (Bell 2000:ch.2). During the US crises and recessions of 1890-1910 bankers and financial agents increasingly found themselves in charge of businesses, separating ownership from management. They experimented with various forced rearrangements of management in the attempt to keep these firms solvent. The maxim of success became that the greater the size of the firm, the greater its ability to survive during crises, and the result was the increasing concentration of industry as smaller firms went bust and were bought up by their larger competitors which sought their own survival in their 'bigness' (Galbraith 1985:ch.8). During the First World War the massive demand for war materiel favoured economies of scale possible only within large corporations. In the words of Hobsbawm, 'mass war required mass production' (Hobsbawm 1994:45). These two processes were repeated but this time with much greater severity during the Great Depression, especially within the US, and the Second World War, in which US

corporations as a whole became the largest manufacturers of material for consumption among the US and Allies.

However the wars were only temporary. Industry could not rely forever upon the expansion of demand they produced. Thus after the First and Second World Wars the demand for industrial production within the domestic market rose considerably due to changing social expectations of consumption and the high wage regime, both of which were the products of US industry. The trend of the consumer was long established within the US. As argued in chapter seven, capitalist agriculture had produced a market culture in Britain, consisting of the purchase of most material necessities. This spread to the US with the colonists, according to Bell, and saw private property rights enshrined much more firmly than in Europe at that time in the Bill of Rights (Bell 2000:41). The growth of consumerism in the 20th century, as experienced most dramatically after the First and the Second World Wars, was the expansion of this process to include new consumer goods which appeared to be necessities and no longer luxuries: the car, the radio, the washing machine, the television, all of which became the norm in western households to different degrees in the 1920s and 1950s, principally the latter (Hobsbawm 1994:ch.9 sec.II).

Mass consumerism was made possible by the high-wage regime of industrial labour within Fordism, which was, according to Gramsci, 'the instrument used to select and maintain in stability a skilled labour force suited to the system of production and work' (1971:303). The labour process in Fordist production was of an entirely new form from those practiced elsewhere. 'Ford's industry requires a discrimination, a qualification in its workers, which other industries do not yet call for, a new type of qualification, a form of consumption of labour power and a quantity of power consumed in average hours which are the same numerically but which are more wearying and exhausting than elsewhere' (1971:311-2). As such the recompense for this labour was well above Ricardo's Iron Law to ensure willing participation, allowing workers in production plants such as Ford's to purchase the goods they were producing, often with the aid of credit agreements from the seller, coupling them further to their employer. High wages were therefore a necessity of the new form of industry, and a determinant of the new consumer expectations. Thus, under Fordism, coercion was 'combined with persuasion and consent. This effect can be achieved, in forms proper to the society in question, by higher remuneration such as to permit a particular living standard which can maintain and restore the strength that has been worn down

by the new form of toil' (1971:310). It was not just physical but mental toil also, recorded in the huge rise of secondary and especially higher education as a route to higher income and social status, especially after the Second World War (Hobsbawm 1994:ch.10 sec.II). In turn, the mobilisation of men during the wars in particular led women into mass employment in industry for the first time, which became a permanent transition after the Second World War (Hobsbawm 1994:44-5, ch.10 sec.IV). This regime created a labour aristocracy dividing high-wage and low-wage labour by skill, education and gender, and, as discussed below, the ability to bargain collectively (Gramsci 1971:312-3).

8.2.2. Keynesianism

'The outstanding faults of the economic society in which we live,' concluded John Maynard Keynes in *The General Theory of Employment, Interest and Money*, published 1936, 'are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes' (1936:372). Keynes' views were formed during the Great Depression, the scale and depth of which made bankrupt the prevailing *laissez-faire* approach of states to allow crises to run their course. States faced with the threat of disorder and potential revolution through unemployment sought drastic intervention in their economies. The New Deal of 1933-9 in the US, for example, was an attempt to provide government assistance to millions, both through the creation of new jobs in public works and through provision for the unemployed, especially in the Social Security Act of 1935 (Kindleberger 1973:233-8). Britain maintained its wartime powers to this end well into the 1950s (Thorpe 2000:585).

Labour movements demanded full employment as a cornerstone of government policy; states committed themselves to it because 'mass unemployment was believed to be politically and socially explosive' (Hobsbawm 1994:95). Securing the domestic economy against the threat of economic collapse, along with its corollaries, political crisis and war, was central to Keynes, who argued 'let goods be homespun whenever it is reasonably and conveniently possible, and, above all, let finance be primarily national' (1933:sec.II). Thus, Keynesian national economic management, aimed at solving the dominant concerns of the time, became economic orthodoxy (Galbraith 1985:140-2). In doing so it led to the construction of a particular image of industrial labour and

citizenship, excluding and disciplining those outside this relationship. In addition to policies of full employment, this took place through the construction of the welfare state, the institutionalisation of collective bargaining, and the containment of strikes.

The simulation of full employment through the welfare state was a central component of Keynesianism. Keynes' argument was not for full employment *per se*, but rather the necessity of the state to increase aggregate demand (total demand in the national economy for all goods and services), which was no longer held buoyant by the extraordinary expansion of the 19th century (1920). His argument, therefore, and the one subsequently adopted as Keynesianism, was for the expansion of aggregate demand which would ensure the greatest possible use of all factors of production in the economy, including labour (1936:ch.3). In part this had been achieved through the expansion of demand necessitated by the Second World War and later the Cold War. The other part was the construction of the welfare state, centred on transfer payments to maintain every member of society not employed on a socially agreed minimum income; 'in other words, the strategy was to uphold the labor market and to stimulate demand' (Kirkup & Evans 2009:233). The spread was so complete that in 1958 Gunnar Myrdal announced,

In the last half-century, the state, in all the rich countries in the Western world, has become a democratic "Welfare State", with fairly explicit commitments to the broad goals of economic development, full employment, equality of opportunity for the young, social security, and protected minimum standards as regards not only income, but nutrition, housing, health and education, for people of all regions and social groups. (1960:45)

By the 1970s the welfare state had emerged 'in the literal meaning of the word, that is to say states in which welfare expenditures...became the *greater part* of total public expenditure, and people engaged in welfare activities formed the largest body of all public employment' (Hobsbawm 1994:284, emphasis retained). This appeared as the fulfilment of economic and social rights embodied within the global human rights regime (Kirkup & Evans 2009:pt.IV). But at the same time it produced the socially accepted norm of industrial labour, and created a new distinction between 'insured and non-insured life' between citizenship and non-citizenship in welfare states within the global political economy. We consider this in more detail in the following chapter.

In *American Capitalism*, published 1952, Galbraith considers this growth of the welfare state as part of the growth of 'countervailing power' against the market power of large corporations, which was particularly related to the collective bargaining of labour (1957; see Bell 2000:85-91). He argues that 'private economic power is held in check by the counter-vailing power of those who are subject to it. The first begets the second. The long trend toward concentration of industrial enterprise in the hands of a relatively few firms has brought into existence not only strong sellers, as the economists have supposed, but also strong buyers, as they have failed to see' (1957, quoted by Bell 2000:88). According to Hobsbawm, this took the form of 'the peculiar "Keynesian" combination of economic growth in a capitalist economy based on the mass consumption of a fully employed and increasingly well-paid and well-protected labour force' (1994:281-2). Organised labour, united as trade unions, strengthened by the Depression and their mass participation in the wars (1994:44-5; see Kindleberger 1973:233-8), established their wages and conditions of work with large corporations and nationalised industries through collective political bargaining. This

was a deal acceptable to all sides. Employers, who hardly minded high wages during a long boom with high profits, welcomed the predictability which made forward planning easier. Labour got regularly rising wages and fringe benefits, and a steadily extended and more generous Welfare State. Government got political stability, weakening communist parties...and predictable conditions for the macro-economic management which all states now practised. (Hobsbawm 1994:282)

Exclusion was defined in terms of being outside of this bargaining process, outside of unionisation, which was mainly the fate of women, the young and the unskilled.

The failure of collective bargaining in this period led to strike action. As Hobsbawm argues, the strike had been an option in labour resistance since the emergence of the factory, but, with the political institutionalisation of collective bargaining,

trade unions [became] so enmeshed in the web of big business and government that so traditional an activity as the strike became...unofficial action, or rank-and-file revolt. Wage changes became the almost automatic consequences of price-changes or regular periodic reviews by mechanisms which operated far above the heads of union members, whose membership was now often virtually automatic. (1990:284-5)

Keir Thorpe examines the government response to this form of labour resistance in Britain. The consistent interest of successive governments was the maintenance of growth and industrial production by minimising the effect of strike action, by 'rendering the strike innocuous'. The 1920 Emergency Powers Act gave the government 'almost unlimited ability to enforce any regulations it felt necessary to ensure the least disruption to the economy and normal life' in the declaration of a State of Emergency, based upon the prevention of shortages resulting from conflict (2000:578). These powers were maintained well after the Second World War, though their use was tailored to the breaking of strikes. The early 1950s saw the wholesale redrafting of 'emergency machinery' to counter the growing threat of industrial disputes. But instead of using the powers wholesale and drafting in military labour to run an industry, which was a possibility under the 1920 Act, the response to strikes became aimed particularly at their containment. The powers were used sparingly, to provide essential services rather than the running of wholesale industries, to reduce the need for military intervention, increasingly through the use of media statements and public opinion, with the intention of normalising industrial labour relations, disciplining those on the fringe, making the strike as a method of resistance appear futile, ultimately reducing its disruption of the national economy.

Labour, through full employment, the welfare state and collective bargaining, was included in a new fashion in the post-war era. Through state guarantees, economic and social citizenship rights appeared to ensure material provision regardless of the state of the economy. Within the capitalist world order the state had thus constructed a secure national market and had taken charge of producing and maintaining an industrial labour force. But at the same time new patterns of social exclusion constructed between insured and uninsured, industrial and non-industrial, unionised and non-unionised labour were masked by this process.

8.2.3. Bretton Woods

The pursuit of full employment demanded a high level of control and coordination of international trade and finance, made possible by the international framework agreed upon at the Bretton Woods Conference of July 1944. The aims of the negotiators, particularly the two key figureheads of Harry Dexter White (US) and Keynes (Britain) were threefold. First, to avoid the economic

problems of the interwar years which in their view had led to the Second World War (Van Dormael 1978). Second, to replace war demand for US military production with foreign demand for US exports. And third, to foster Latin American governments through encouraging their development goals (Helleiner 2006). The envisaged solution was a stable multilateral trade system, supported by reconstruction and capital controls which would allow the goal of full employment to be pursued. Resolve was stiffened by the crisis of 1947 (Helleiner 1994:54-8), and the subsequent result was what Ruggie calls 'embedded liberalism': 'unlike the economic nationalism of the thirties, it would be multilateral in character; unlike the liberalism of the gold standard and free trade, its multilateralism would be predicated upon domestic interventionism' (Ruggie 1982:393). This rested upon the key institutions of what became known as the Bretton Woods system: the International Bank for Reconstruction and Development (IBRD, which later became part of the World Bank), the International Monetary Fund (IMF), the General Agreement on Tariffs and Trade (GATT, which is now the World Trade Organization, WTO); and alongside these, peripheral institutions such as the Bank of International Settlements (BIS).

The universal agreement of those at the Conference was that the punitive sanctions laid out in the Treaty of Versailles were to blame by many for the breakdown of the inter-war order. The common belief among the majority of Allied observers was that '[t]he second World war was, in large part, a repeat performance of the first...Germany fought specifically in the second World war to reverse the verdict of the first and to destroy the settlement which followed it' (A. J. P. Taylor 1964:41). Although A.J.P. Taylor famously argued that apportioning the blame to Hitler alone was in need of revision, this fact was not. In 1944 Polanyi wrote '[t]he dissolution of the system of world economy which had been in progress since 1900 was responsible for the political tension that exploded in 1914; the outcome of the War and the Treaties had eased that tension superficially by eliminating German competition while aggravating the causes of tension and thereby vastly increasing the political and economic impediments to peace' (1957:21). The roots of the crisis may have been in the 19th century, but Versailles appeared to have been central in creating the conditions for the economic problems in Europe during the early 1920s and the 1930s; it held the German economy down until the only outcome was the rejection of the liberal capitalist order which enforced it. To these observers the solution was obvious: in the aftermath of the Second World War the path of avoiding disorder,

radicalisation and the spread of communism was to promote reconstruction. This was the task of the IBRD, which began operating 25 June 1946, supplemented by Marshall Aid and subsequent military assistance necessitated by the Cold War (Eichengreen 1996:ch.4).

The inter-war problem which struck most directly at the heart of the former capitalist order was the breakdown of the Gold Standard, which was believed to have laid the basis for 19th-century *laissez-faire* (Polanyi 1957:ch.2). The free movement of money and its free conversion into gold during the Great Depression led to massive balance of payments problems among trading partners in the financial crisis of 1931, and were no longer considered possible. At the height of the crisis a German banker remarked '[w]hat I have just experienced means the end of a way of life, certainly for Germany and perhaps other countries as well...The common vision of the future has been destroyed' (quoted by Helleiner 1994:27). In turn, the inter-war years saw the trial and failure of a number of different exchange rate regimes aimed at solving the problem: floating rates, credit and loan agreements, the free flow of gold, deflations, exchange depreciation, and tariff barriers (Van Dormael 1978:33). At Bretton Woods the answer was the creation of the IMF, the culmination of the debate between White for an international stabilisation fund and Keynes for an international clearing union (Block 1977:42-55; Helleiner 1994:22-8; Van Dormael 1978:chs.4-5). If full employment and welfare were to take centre stage in domestic policy, and if international trade was to be re-established, then international finance was to be made subordinate. As a result, the IMF was set up

to promote international monetary co-operation; to facilitate the expansion and balanced growth of international trade, thus contributing to the maintenance of a high level of employment and income; to make the Fund's resources available to member countries, thus giving them time to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity; to promote exchange stability; to assist in the establishment of multilateral payments facilities on current transactions and in the elimination of foreign-exchange restrictions hampering the growth of world trade; and to shorten the periods and lessen the degree of disequilibrium in the international balance of payments of member countries. (Van Dormael 1978:135)

The goal of both reconstruction and capital controls was to re-establish the multilateral trade in goods which had been restricted by inter-war protectionism and tariff barriers (Helleiner 1994:28-9). For the US, the leading manufacturer within the capitalist order, this was essential to maintain the expanded demand of the Second World War (Block 1977:35). This became a universal aim once the

British idea to create an imperial trading union – a policy which would have followed the same rationale as the US plans – was made impossible by the unsustainable position of Sterling and the resulting need for US assistance (Block 1977:60-2). In addition, as Jacob Viner argued in 1947, '[t]here are few free traders in the present-day world, no one pays any attention to their views, and no person in authority anywhere advocates free trade' (quoted by Ruggie 1982:396). The goal, then, was to create a secure multilateral trading order supported by reconstruction and capital controls which would provide a new political-legal framework for global free trade. An International Trade Organization (ITO) was proposed, but never ratified by the US Congress, and instead the GATT entered into being on 1 January 1948 (Block 1977:75-6). Its initial concessions to existing tariffs show both how difficult a task it faced and how domestic policy was paramount: despite making obligatory the most-favoured-nation rule,

a blanket exception was allowed for all existing preferential arrangements, and countries were permitted to form customs unions and free trade areas. Moreover, quantitative restrictions were prohibited, but were deemed suitable measures for safeguarding the balance of payments - *explicitly* including payments difficulties that resulted from domestic policies designed to secure full employment. (Ruggie 1982:397, emphasis retained)

In turn, the framework was set for regular 'rounds' of tariff reduction, of which there were six between 1947 and 1967. Alongside this was on the one hand Marshall Aid and the subsequent military assistance during the Cold War which kept US exports buoyant by offsetting (mainly European) balance-of-payments difficulties (Block 1977:86-96; Helleiner 1994:58-62). And on the other, the creation of a European free trade area, recommended by the European Cooperation Administration (ECA) of the US from 1949 onwards with the same purpose in mind (Block 1977:99-102, 122-9). A speech by Paul Hoffman, Marshall Plan administrator, on 31 October 1949 stated the goal of the ECA for Europe: 'the formation of a single large market within which quantitative restrictions on the movement of goods, monetary barriers to the flow of payments, and eventually, all tariffs are permanently swept away' (quoted by Block 1977:99).

In sum, the intention of the Bretton Woods institutions was to reinforce the capitalist world order in favour of those in a position to influence the proceedings. This was, namely, the US and British delegations first and the other delegations from other Allied sovereign states second, in line with national goals dependent upon the key classes in their national social formations. As a whole

this process reinforced the international division of labour present at the time, cementing existing patterns of social exclusion and creating the world into which former colonies would enter upon independence. This is the focus of the following section.

8.3. National independence and development

At the stroke of the midnight hour, when the world sleeps, India will awake to life and freedom...

The future beckons to us. Whither do we go and what shall be our endeavour? To bring freedom and opportunity to the common man, to the peasants and workers of India; to fight and end poverty and ignorance and disease; to build up a prosperous, democratic and progressive nation, and to create social, economic and political institutions which will ensure justice and fullness of life to every man and woman (Nehru 1947)

With these words Jawaharlal Nehru thrust India into independence from Britain on 14 August 1947. Many former colonies were on the cusp of doing the same, so that between 1945 and 1981 the UN welcomed in 105 new member states (McMichael 2004:18). These states, along with those either long independent or which had never been formal colonies, were to become known collectively as the Third World, separate from both the US-led capitalist First and the Soviet-led communist Second Worlds. Although a number would side with one or the other superpower at different times, few would isolate themselves from the global political economy entirely (Hobsbawm 1994:357). Colonialism had been a political mechanism for imposing this world market, for reorganising social structures towards integration into the demand and supply of capitalist industry in the European states. Populations had been uprooted, urbanised; whole social formations had been destroyed and redeployed. In the face of such problems there was no way back: the future of these states was to embrace the capitalist vision of development – visible in Nehru’s themes of progress, freedom, welfare, individualism, democracy and opportunity – or to reject capitalism and turn to the Soviet Union for leadership, and face the consequences of an interventionist US.

In this section we examine the ways in which these struggles for independence and development produced particular patterns of social exclusion within the global political economy. First we examine how the period of colonialism structured the dichotomy between coloniser and colonised. Second we look at how this was transformed in the post-war period by a new division between

developed and underdeveloped in terms of language, education, culture and land reform, and contested in the conflict between modernization and dependency theory. Third we examine the relationship between First and Third Worlds, particularly through the financial flows of aid and investment.

8.3.1. Colonialism

The New Imperialism of the decades prior to the First World War needed much justification in Britain and France, which it achieved by cloaking itself in the mission of spreading commerce, civilization and Christianity (Rist 1997:ch.3). According to the French novelist Victor Hugo, speaking at a banquet commemorating the abolition of slavery,

Man's destiny lies in the South...Go forward, the nations! Grasp this land! Take it! From whom? From no one. Take this land from God! God gives the earth to men. God offers Africa to Europe. Take it! Where the kings brought war, bring concord! Take it, not for the cannon but for the plough! Not for the sabre but for commerce! Not for battle but for industry! Not for conquest but for fraternity! Pour out everything you have in this Africa...Make roads, make ports, make towns! Grow, cultivate, colonize, multiply! (Quoted by Rist 1997:51)

Here, inherent within the colonial system, was the idea of progress of the human race towards a new and greater commercial and material condition, towards the transition of 'backward' peoples to their next stage of development.

These justifications were affirmed in the League of Nations Mandate system, instituted after the First World War in Articles 22 and 23 of its Covenant (League of Nations 1924; Rist 1997:58-66). The colonies of the defeated powers were distributed among the Western European victors as 'mandates.' The territories were annexed, but the imperial powers had make account of their administrations to the Permanent Mandates Commission. Rist takes keen notice of Article 22, which 'introduced the concept of "stage of development" into the literature of international organizations, thereby justifying a classification system according to which there were "developed" nations at the top of the ladder' (Rist 1997:61). The 'humanitarian-religious' language was of the supposed universal values of paternalism, civilization, material and moral well-being, and social progress, each a part of the Western conception of development and growth being 'gifted' to all peoples as their destiny, removing from history anything which did not fit the Western pattern of progress.

McMichael argues that securing supplies of colonial labour became more complex and problematic during the twentieth century as greater disruption was caused to local social structures by the demands of new labour practices within the global political economy (McMichael 2004:13-9). Elements of the European state were introduced into the colonies 'to organize schooling, labor forces, and urban surveillance; to attach rural villages to commercial estates; to supervise public health; to regulate sexual relations; and so forth'. Among the urban, dislocated sections of the population this led to the adoption of European language and norms, including materialism and the desire for better living standards, and so consensus had to be maintained by providing for indigenous populations materially. According to British Colonial Secretary Malcolm MacDonald in 1940, '[i]f we are not now going to do something fairly good for the Colonial Empire, and something which helps them to get proper social services, we shall deserve to lose the colonies and it will only be a matter of time before we get what we deserve' (quoted by McMichael 2004:18). The result of labour organisation in new practices was the socialisation of labour and its resistance. According to McMichael, European methods of rule 'produced resistances among subject populations, whether laborers, peasants, soldiers, or civil servants. These tensions fed the politics of decolonization, dedicated to molding inchoate resistance to colonial abuses into coherent, nationalist movements striving for independence', all the time adding further to the burden of colonial rule (McMichael 2004:13-4; see Cooper 1997:66-7; Cooper & Stoler 1997).

Yet it was not just supervision and the imposition of European culture. According to Jean-Paul Sartre, in his preface to *The Wretched of the Earth* by Franz Fanon, published 1961, 'Europe has multiplied divisions and opposing groups, has fashioned classes and sometimes even racial prejudices, and has endeavoured by every means to bring about and intensify the stratifications of colonized societies,' including – and this is important for us later – that between the Westernised 'native bourgeoisie,' created as an instrument of rule, and the colonised mass (in Fanon 1967:10). The division is made clear in the title of an earlier book by Albert Memmi, *The Colonizer and the Colonized*, published 1957, which focussed on Algeria. 'Racism is built into the system,' Sartre writes in summary. Trade is unequal, such that '[t]he colonial agricultural subproletariat cannot even count on an alliance with the least-favored Europeans, for everyone lives off them, even the "small colonizers," whom the big proprietors exploit, but who are privileged compared to the Algerians, the average income of the Algerian

Frenchman being ten times that of the Algerian Moslem.’ The population’s living conditions are kept low, and their birth rate high, to incur minimum cost of production. The colonizer ‘enjoys, in the mother country, democratic rights that the colonialist system refuses to the colonized native...[and] forbids assimilation of the natives, whose numerical superiority, if they had voting rights, would shatter the system. Colonialism denies human rights to human beings whom it has subdued by violence, and keeps them by force in a state of misery and ignorance’. Indeed,

Since the native is subhuman, the Declaration of Human Rights does not apply to him; inversely, since he has no rights, he is abandoned without protection to inhuman forces – brought in with the colonialist praxis, engendered every moment by the colonialist apparatus, and sustained by relations of production that define two sorts of individuals – one for whom privilege and humanity are one, who becomes a human being through exercising his rights; and the other, for whom a denial of rights sanctions misery, chronic hunger, ignorance, or, in general, “subhumanity”. (Sartre, in Memmi 1965:xxiii-xxv)

‘Racism appears then, not as an incidental detail, but as a consubstantial part of colonialism’, according to Memmi. ‘It is the highest expression of the colonial system and one of the most significant features of the colonialist. Not only does it establish a fundamental discrimination between colonizer and colonized...but it also lays the foundation for the immutability of this life’ (1965:74). It was authors such as Memmi who spurred on the nationalist liberation movements. Thus,

Colonization distorts relationships, destroys or petrifies institutions, and corrupts men, both colonizers and colonized. To live, the colonized needs to do away with colonization. To become a man, he must do away with the colonized being that he has become. If the European must annihilate the colonizer within himself, the colonized must rise above his colonized being...Having reconquered all his dimensions, the former colonized will have become a man like any other. There will be the ups and downs of all men to be sure, but at least he will be a whole and free man. (1965:153)

8.3.2. *The ideology of development*

After the Second World War the immediacy of decolonisation became increasingly obvious, and so the United States sought to ally itself with anti-communist elements in the non-industrialised world and to bring them into the capitalist world order. It had already been doing so in the 1938-42 period based around its growing financial relationship with Latin America (Helleiner 2006).

Indeed, Articles 55 and 56 of the Charter of the United Nations, which entered into force on 24 October 1945, promoted the development agenda, as did General Assembly Resolutions 198(III) and 200(III), adopted in December 1948 (UN 1948a; 1973). In these documents the use of terms such as 'full employment' shows how these widened the Western goals of national planning to a global stage. It was, however, the threats of the post-war international environment which led to the deeper relationships of national development programmes. In particular, 'Point Four' of President Truman's Inaugural Address of 20 January 1949 placed development at the centre of capitalist international relations:

Fourth, we must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas.

More than half the people of the world are living in conditions approaching misery. Their food is inadequate. They are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat both to them and to more prosperous areas.

For the first time in history, humanity possesses the knowledge and skill to relieve the suffering of these people...

I believe that we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life...

Our aim should be to help the free peoples of the world, through their own efforts, to produce more food, more clothing, more materials for housing, and more mechanical power to lighten their burdens...

The old imperialism - exploitation for foreign profit - has no place in our plans. What we envisage is a program of development based on the concepts of democratic fair-dealing...

Greater production is the key to prosperity and peace. And the key to greater production is a wider and more vigorous application of modern scientific and technical knowledge.

Only by helping the least fortunate of its members to help themselves can the human family achieve the decent, satisfying life that is the right of all people. (Quoted by Rist 1997:71-2)

'Underdevelopment began, then on January 20, 1949', according to Gustavo Esteva. 'On that day, two billion people became underdeveloped. In a real sense, from that time on, they ceased being what they were, in all their diversity, and were transmogrified into an inverted mirror of others' reality: a mirror that defines their identity...simply in the terms of a homogenizing and narrow minority' (1992:7). No longer would the world be seen in the colonizer / colonized opposition of hierarchy and otherness (although the colonial relationship would cling on in various forms for a further half-century). Instead the new developed / underdeveloped dichotomy, a counterpart to the formal equality of the Universal Declaration of Human Rights, such that all states who

accepted their part became members of a single family. They were no longer opposites, but at different stages of the same linear life-cycle, or, in other words, stages of development (Rist 1997:72-4; UN 1948b). Unlike colonialism, writes McMichael, '[t]he power of the new development paradigm arose in part from its ability to present itself as universal, autonomous, and therefore uncontentious' (2004:23). This became the central strategy in approaching the problem of decolonisation, and especially avoiding the spread of communism in newly independent states.

From the 1950s onwards American social science took it upon itself to give credence to the development agenda and to combat the influence of the Soviet Union in the Third World. In particular it sought to define objectively the stages of development all national societies must pass through on their way to industrialism. This Modernization theory first emerged in sociology, where Talcott Parsons derived an evolutionary typology of social structures from the work of Max Weber (Hettne 1995:49-57; Leys 1996:9-11; Parsons 2000). Key, however, was the shift to economic theory, which took place most famously in W.W. Rostow's *The Stages of Economic Growth*. 'It is possible,' he writes, 'to identify all societies, in their economic dimensions, as lying within one of five categories: the traditional society, the preconditions for take-off, the take-off, the drive to maturity, and the age of high mass-consumption' (1960:4). The language is of 'natural' development and growth, as though the developing state has a life cycle of its own (Nisbet 1969); Rostow himself talks of 'the essentially biological field of economic growth' (1960:36). The metaphor of 'take-off' was quickly incorporated into the jargon of development because of its imagery of a limitless future.

Elites across the South took up the mantle of development and modernization held out to them by the West, and by doing so adopted it as ideological truth. On the whole, their education was Western (Kelly & Altbach 1984; Southard 1997), their language was European, predominantly English, French or Spanish (Margulis & Nowakoski 1996), and they had been participants in colonial rule (informal colonial rule, in the case of Latin America in particular), and thereby formed the majority of new governments, representative-democratic or otherwise. In societies of urban / rural, modern / traditional and capitalist / non-capitalist dichotomies they had been on the European side of the divide: their minds were framed in Western ideas, aspirations and concerns, and not those from the various social structures existing within their borders. The dislocations of capitalism and mercantile trade within colonial empires had been steadily disintegrating the

former modes of production and social structures for centuries, and created the desperate need to somehow come to terms with the problems of unemployment, urbanisation and destitution, to satisfy the new material needs of the people (Apter 1965; Galeano 1997). The only perceived way to maintain their rule was to push forward with a progressive solution to relentless pressure of the global political economy upon their national social formations, which led them to either capitalist development or a break with the capitalist world and an entry to communism, depending, often, upon which superpower held the greatest leverage in their region (Hobsbawm 1994:347). A return to the former social structures was not possible, despite political and social movements in this direction, for example Julius Nyerere's 'self-reliance' in Tanzania (Rist 1997:ch.8), and the enduring influence of Gandhi in India (McMichael 2004:16-18). With substantial Western help, through US military aid, IMF and World Bank loans, they created centralised development states based upon national planning, following policies of import-substitution-industrialisation (ISI) (Calvert & Calvert 2001:216-8). Their key aim, and main source of legitimacy, was rapid economic growth and industrialisation (Hobsbawm 1994:350).

In moving from backwardness to advancement, one of the main policies of developing governments was land reform, but the direction this took depended upon the government in question. According to Hobsbawm, this 'general slogan of politics in agrarian countries might cover anything from the break-up of large landholdings and their re-distribution to peasants and landless labourers to the abolition of feudal tenures or servitudes; rent reduction and tenancy reforms to various kinds to revolutionary land nationalization and collectivization' (1994:354). This took place across the globe: in the 1940s and 50s in Eastern Europe and China; in former British India; under the American occupation of Japan, Taiwan and Korea; in Egypt after the 1952 revolution, followed soon after by Iraq, Syria and Algeria; in Bolivia after their 1952 revolution; and in Mexico, where *agrarismo* had been advocated since the 1910s. For Westernized modernizing elites, land reform gained them peasant support against the offer of equality and redistribution, but in the process it increased the pace of change in non-capitalist social formations, dislocating more people from the land than was achieved under colonial rule, altering patterns of land ownership in favour of one group or another. The peasantry, to whom the national challenge of development was of no consequence, saw the matter differently, as restoring old claims to land and entitlements under former social structures which had been progressively

dissolved under colonialism and the imposition of the global political economy, such as the dramatic case of Peru in 1969 (1974; 1994:356-7). Here existed a dividing line between the Westernised, urban few and the non-Western, rural many, two groups with vastly differing views of this process.

It was soon obvious to wide portions of the Third World that the adoption of development strategies had not led to any real change in their material situation. Latin America saw the most systematic intellectual response, culminating in the 1970s debate over dependency theory. Paul Baran argued that the reasons for continued underdevelopment lay in the partnerships of Western and Third World elites which were detrimental to the economic development of all but a tiny minority (1957). Raúl Prebisch, working for the UN Economic Commission for Latin America (CEPAL) in Santiago, Chile, came to the same conclusion (Preston 1996:181-9). Dependency theory proper, a product of both the *dependentistas* of Latin America and others who followed, argued critically that the centre of focus should not be economics but social structure. Theotonio Dos Santos' definition of dependence is the most widely cited:

Dependence is a conditioning situation in which the economies of one group of countries are conditioned by the development and expansion of others. A relationship of interdependence between two or more economies or between such economies and the world trading system, becomes a dependent relationship when some countries can expand only as a reflection of the expansion of the dominant countries, which may have positive or negative effects on their immediate environment. (1970:231)

The general consensus, led by Andre Gunder Frank, was that development was impossible for the underdeveloped world because it was dependent upon the West for capital imports, raw material and manufactures exports, and because free trade was inherently unequal (Rist 1997:113-5).

This 'voice of the Other' thus transformed the debate over what was true in the political economy of development (Hettne 1995:ch.2). It revealed the inequality of the former orthodoxy, which had led to development for the few, the owners of capital and their agents – the middle class – and not for the many, who either owned only their labour, or would soon be dislocated from their land to become urban slum-dwellers, seasonal farmhands, sweatshop workers and informal labourers.

8.3.3. *Aid and investment*

Here we will take an overview of the way in which financial flows directed the expansion and deepening of the global political economy in terms of foreign aid and capital investment, which lead to the increased power of corporations, the expansion of an industrial division of labour, and declining terms of trade in the Third World.

In 1953 President Eisenhower announced that a 'serious and explicit purpose of our foreign policy [is] the encouragement of a hospitable climate for investment in foreign nations' (quoted by Magdoff 1969:126). Foreign aid in its various forms was a major component of this strategy. In December 1962 President John F. Kennedy put it this way: '[f]oreign aid is a method by which the United States maintains a position of influence and control around the world, and sustains a good many countries which would definitely collapse, or pass into the Communist bloc (quoted by Magdoff 1969:117). This process began with the opening-up of the British Empire as a concession demanded by the US in return for loans for reconstruction and development after the Second World War (Rosenson 1947). Since then a host of bilateral agreements were signed by the US and its trading partners which swapped various provisions of aid for open access to US corporations. Aid was concentrated in locations where private investment already existed with the intention of making returns more secure (Barratt Brown 1974:226). Whereas IMF and IBRD loans were more open, though still following the same goals, in bilateral treaties aid was often specifically tied to imports from the donor country (Bhagwati 1970; Magdoff 1969:142-9). For the US this made up over a quarter of the market in some export industries (Hyson & Strout 1968:71; Magdoff 1969:130 tab.xxv).

Another form of aid was the grant of overproduced goods, such as food aid under US Public Law 480 (Frank 1970:97; Schultz 1970). This was, in effect, the anti-competitive process known as 'dumping,' which undercut local producers, forcing them expand to compete; in other words forcing them to enter the capitalist path. In 1963 President Kennedy explained an important fringe-benefit of US foreign aid: '[t]oo little attention has been paid to the part which an early exposure to American goods, skills, and American ways of doing things can play in forming the tastes and desires of newly emerging countries - or to the fact that, even when our aid ends, the desire and need for our products continue, and trade relations last far beyond the termination of our assistance' (quoted by

Magdoff 1969:133). This business interest was supported by a prevalent belief that aid would lead directly to economic development. In the case of the US, Hans Morgenthau writes 'the popular mind has established correlations between the infusion of capital and technology into a primitive society and its economic development, between economic development and social stability, between social stability and democratic institutions, between democratic institutions and a peaceful foreign policy.' He then goes on to argue, 'However attractive and reassuring these correlations may sound to American ears, they are borne out neither by the experiences we have had with our policies of foreign aid nor by general historic experience' (1962:304-5). Morgenthau was aware of both the political nature of aid for the giver and its negative impact upon the social and political stability of the recipient.

To secure an open door against the potential communist threat and the preference towards protectionism among its trading partners, US military aid was used to create and maintain a global system of alliances centred on NATO (Magdoff 1969:118-22). This formed the greatest proportion of their total aid bill. Western Europe, Latin America, Pakistan and Turkey were recipients of substantial aid to ensure national stability and the rule of law over private property; Spain received rent for US bases; South Korea and the Philippines secured aid concessions for sending troops to Vietnam; Greece, Turkey (again) and Iran received aid for continued access to oil and ports in the Middle East. Some of this was masked as development aid. 'Despite official figures which show that most the aid is economic rather than military, the truth is that the bulk of the aid is ultimately either military or for immediate political aims' (Magdoff 1969:122-3). Roads, airports, communications centres, and even food aid was tailored not to long-term development but short-term aims, or, according to Morgenthau, as 'prestige' aid.

The unprofitable or idle steel mill, the highway without traffic and leading nowhere, the airline operating with foreign personnel and at a loss but under the flag of the recipient country – all ostensibly serve the purposes of economic development and under different circumstances might do so. Actually, however, they perform no positive economic function. They owe their existence to the penchant, prevalent in many underdeveloped nations, for what might be called "conspicuous industrialization," spectacular symbols of, and monuments to, industrial advancement rather than investments satisfying any objective economic needs of the country. (1962:303)

In the case of the US much development aid was masked as military aid because of the willingness of Congress to support the military but not the economic aid proposals presented to them each year by the president. As a result, recipients of the largest volume of military aid became generally the fastest capitalist industrialisers in this period: Japan, Taiwan, South Korea, Israel, Spain and South Vietnam among them (Barratt Brown 1974:269-71 tab.31).

Thus both development and military aid were actively sought by Third World capitalist elites which attempted to secure their position against, they claimed impending disaster and social revolution, which would be calamitous for the US (Baran 1970:298-9). At the same time, according to Morgenthau, the US effectively forced aid upon unwilling landed, non-capitalist elites that sought to maintain the status quo. There was a consistent game of playing one social group off against another in seeking the greatest benefit to the US (1962:305-6). These various interests led to the application of aid to strengthen and intensify the outer reaches of the global political economy, and its effect was the dissolution of non-capitalist social formations.

In turn, western capital was invested within the Third World privately in increasing measure, which drew them further into the global political economy through its reciprocal flows, the targeting of primary industries, the employment of low-productivity practices, the subordination of all currencies to the dollar, and growing indebtedness.

First, reciprocal flows of investment. Harry Magdoff points out that due to financial commitments abroad the US ran a significant balance of payments deficit in the postwar era (1969:115). This was to a large degree through the export of capital, as opposed to the import of goods. Its role was the export of influence through corporate investment, military expenditures and foreign aid programmes. Despite this, the net flow of private capital during this period was from the Third World to the First World, mainly in returns on investment and debt servicing. Frank presents US Dept. of Commerce figures for the seven largest states of Latin America: Argentina, Brazil, Chile, Peru, Venezuela, Colombia and Mexico (Frank 1970:90). Between 1950 and 1961 capital inflow from the US stood at \$2.962b, while capital outflow was \$6.875b in the form of amortisation, profits, royalties and interest. In turn, Magdoff reminds us that the capital flowing into the Third World is accumulated, and not a one-off investment, which magnifies this disparity year-on-year (1969:9-11). The result was that financial movements within the global political economy reproduced and extended the uneven development

of its component social formations, and further expanded the reach of capital (Mandel 1978:69, 343).

Second, primary industries rather than industrial manufacture was targeted for investment within the Third World. Ernest Mandel terms this 'unproductive investment' (1978:68, 366-7). Giovanni Arrighi considers the case of Tropical Africa (1970:225-6). Investment here was predominantly in mining and oil extraction; otherwise in processing primary products for export or import substitution in light manufacturing such as foodstuffs, beverages, textiles, clothing, footwear, furniture, soap, and other consumer goods. Investment in heavy industry was either non-existent, 'or, being export-oriented, [remained] totally unrelated to the structure of the national and supranational African economies' in the sense that it could not constitute a basis for domestic capital accumulation (Barratt Brown 1963:419, quoted by Arrighi 1970:226). There were consistent fears over economic and political instability which would put returns on long-term investment in heavy industry in jeopardy.

Third, even when investment did occur in capitalist industry, manufacturing enterprises often employed outdated machinery, tools and assembly processes no longer used in the West, where they had been supplanted with new innovations of higher productivity (Barratt Brown 1974:275; Mandel 1978:68, 368-9). Despite investment suffering from much unutilised capacity and lacking economies of scale, the Third World held a competitive advantage in labour-intensive manufacturing because of the lower cost and easy reconfiguration of non-unionised labour as product specifications changed with demand. Thus industries in particular regions such as the production transistors, textiles and tinned foods thrived (Mandel 1978:373). In mid-1973 there were 86 subsidiaries of foreign corporations in Singapore and over 250 in Hong Kong, while Japanese corporations had established 400 subsidiaries in South Korea. Singer had 120 sub-contractor plants in the Far East. Investment in sub-standard industrial practices led to the creation of industries which could not compete with goods produced by the latest production techniques in the First World in the long-term, which meant constant shifting and adaptation to the demands of industrial capital set primarily in the First World (Mandel 1978:370-1). Except in those states which had benefited massively from foreign aid such as South Korea, the few large-scale industrial sectors of the Third World were generally forced to play catch-up with the West. Competition within the global political economy led to ever-increasing industrialisation, the continual purchase and re-purchase of western industrial

machinery, and the increasing pace of dissolution of its non-capitalist social formations.

Fourth, the place of Third World industrial sectors within the global political economy was determined to a great extent by currency prices, movements and restrictions. According to Magdoff, the

focal point of the network of economic relations between the great industrial powers and between these powers and the rest of the...world is found in the concentrated financial power of the international money markets...The financial power exercised through the banks and other institutions of the money market enables the industrialized nations to fend off or alleviate balance-of-payments difficulties; it is also the power which, directly or indirectly, keeps the underdeveloped countries in line as the raw materials suppliers. This does not happen as a plot or conspiracy; it results from the normal and self-defense behavior of capital. (1969:101)

The source of financial power, he goes on to argue, is the creation of money, especially world money: money demanded by others. 'The Brazilian bank and the Chilean bank are able to do this too. But who, outside of Brazil, other than importers of Brazilian products, wants cruzeiros? And who outside Chile, other than importers of Chilean products, wants escudos?' (1969:101). Since Article 4 of the IMF declared that the 'par value of the currency of each member shall be expressed in terms of gold as a common denominator or in terms of the United States dollar of the weight and fineness in effect on July 1, 1944,' the US Dollar has become the predominant world currency, subordinating all others to its price movements (quoted by Magdoff 1969:80-8). This power inherent in controlling a world currency is apparent in the words of US Secretary of the Treasury Henry H. Fowler in the face of an approaching monetary crisis in the spring of 1967:

I continue to find it necessary and relevant to emphasize to my colleagues from other countries that the way in which this nation handles its balance of payments problem depends in large measure on the cooperation it receives from other countries in the process, and upon the way in which other important financial nations act in dealing with their own domestic and international monetary problems.

I find it also necessary to emphasize that this cooperation is not a matter of helping the United States to deal with its problem, but a matter of enabling the United States to deal with its problem without undermining the international monetary system, subjecting that system, by unilateral action, to radical and undesirable change, or withdrawing from commitments involving the security and development of others. (New York Times, 18 March 1967, quoted by Magdoff 1969:88)

In turn, this inequality among the various currencies created persistent problems for Third World economies. With the few options available to control currency movements available to Third World governments under the Bretton Woods regime, 'a persistent and severe deficit' – a permanent element of the Third World's relationship with the global political economy, as discussed under terms of trade, below – 'ultimately induces devaluation,' according to Magdoff (1969:92). 'Countries are inclined to take this measure only as a last resort because of the enormous dislocations usually induced thereby. Devaluation brings about a rigorously enforced adjustment through the market place: it raises the prices of imported goods, thus forcing a reduction in consumption, especially by those social classes with low incomes; it reduces the prices of exports in foreign markets, thus putting exported goods in a more competitive position.' To compound problems, the creditworthiness of Third World states was dependent on their foreign currency reserves held in world financial centres (Barratt Brown 1974:257). In conditions not of their own choosing, Third World economic actors were constantly placed under the demands of often-violent swings in the demand and supply of money.

Last, indebtedness. The pressure towards financial deficits, currency dependency, industrialisation and debt servicing meant that whereas 92 underdeveloped countries held a collective public debt of US\$9.7b and 16 developed countries held \$14.2b in 1956, in 1967 the underdeveloped countries' debt had risen to \$41.5b, while that of the developed stood almost unchanged at \$16.6b (Magdoff 1969:149-50, tab. xxix). All regions of the global political economy were in this period under the constant threat of US withdrawal, as US Secretary of the Treasury Henry H. Fowler recognised. Capitals which achieved some degree of independence from the market, like those existing in Brazil and Iran according to Mandel (1978:374-5), had little hope of sustaining their independence through periods of crises: Iran's has been by a high degree of political separation, leading to its later designation by President George W. Bush as a 'rogue state'.

The result has been the increased power of multinational corporations, the expansion of an industrial division of labour, and declining terms of trade. First, under Fordist production the corporation became the dominant form of economic organisation within Western civil society, as Baran and Sweezy highlighted in 1966 with *Monopoly Capital*. Within the west they had won a position of market power through advertising, research and development, political lobbying and so forth,

which shielded them somewhat from domestic competition and drove them to compete in other ways: internationally in the search for new markets and locations of production and raw material extraction (1968:54, 76-80). In the 1950s and 60s this had a large impact on both the development state and local Third World capitals. In terms of the state, on the one hand multinationals sought and lobbied their own governments for particular assistance in opening and securing markets abroad, for example US government support for US banks and the use of foreign aid (Magdoff 1969:14, 20, 67-9). On the other, the development state was often adopted into a 'client' relationship with the larger corporations because of the latter's greater bargaining power and threat of withdrawal (Arrighi 1970:230; Barratt Brown 1974:225, 228).

Many enterprises owned by the development state or by local capital operated under the managerial control of foreign corporations. In the case of Brazil, argues Frank, 'much of the capital on which Americans "earn" profits in Brazil is Brazilian in origin and American...in ownership, control, and earnings' (1970:91). 'It is characteristic of American investment in Brazil and elsewhere,' he argues, 'that the giant investing corporations set up only a part of a particular productive process abroad and keep a critical, though it may be a smaller, part under their immediate control at home' (1970:95). He employs the example of an assembly plant dependent upon high-tech parts and high-skilled labour from US. 'While the propaganda has it that the United States is stimulating private enterprise and economic development, the reality is that American corporations use Brazilian capital for their own purposes, transferring part of the risk and cost of demand fluctuations to the local supplier, channelling Brazilian capital into the provision of goods and services which maximize the American corporations' profits, and binding the Brazilian economy increasingly to themselves in particular and to the American economy in general' (1970:96). Through the extension of competition outside the restricted home market in this period, capital subordinated the global political economy into a form which best supported industry.

Second, this produced a vast new international division of labour between high wage / high productivity and low wage / low productivity sectors, of which many of the latter were only underemployed or irregularly employed (Barratt Brown 1974:276). In manufacturing during the period 1950-5, for example, the output per person in the US stood at US\$5,730 and its wages per hour were \$1.70. Its nearest rival was the UK, at \$2,260 and \$0.45 respectively. In contrast, India's

output per person was \$220 and wages per hour \$0.10 (Barratt Brown 1974:232 tab.24).

Last, declining terms of trade resulted from the extension of the multilateral trade regime. The Laurel-Langley Agreement between the Philippines and the US, signed in 1955, stated:

The Republic of the Philippines and the United States of America each agrees not to discriminate in any manner, with respect to their engaging in business activities, against the citizens or any form of business enterprise owned or controlled by citizens of the other...

The disposition, exploitation, development, and utilization of all agricultural, timber, and mineral lands of the public domain, waters, minerals, coal, petroleum and other mineral oils, all forces and sources of potential energy, and other natural resources of either Party, and the operation of public utilities, shall, if open to any person, be open to citizens of the other Party (quoted by Magdoff 1969:127)

Bilateral treaties of this form were central in the US strategy of opening up the world to US corporate interests. Throughout this period the First World moved to a position of near-monopoly over manufactures, while the Third World lost its near-monopoly over raw material supply which had been a feature of its colonial status (Mandel 1978:371; Magdoff 1969:157-63). Whereas the price of manufactures rose by 24% between 1953 and 1970, the price of primary products remained stagnant (Barratt Brown 1974:242 tab.25). According to Dos Santos, this led to a loss within Latin America of US\$26.4b between 1951 and 1966 (Dos Santos 1970:75-6, quoted by Mandel 1978:350-1n). During this time foreign corporations, local capital and states had committed themselves to industrial projects lasting many years and dependent upon foreign earnings. The declining terms of trade increased their dependence upon increased indebtedness and aid to continue these ventures, continuing the dissolution of non-capitalist social formations.

9. The age of globalization

Globalisation is so powerful an idea because of the sense of there being no escape. It's coming down the tracks straight at you.

Will Hutton (Hutton & Giddens 2000:4)

In this chapter we return finally to the question of globalization in the period from the 1970s to the present. Our interest is to overcome the failings of globalization discourse identified in chapter two and present an alternative perspective of the production of social exclusion within the global political economy, following Marx's historical materialism as in prior chapters. As a background to this chapter, we follow the argument of Eric Helleiner and others that this period of globalization came into being because of the growing power of finance to circumvent, distort and make impossible the rigid controls imposed upon it under Bretton Woods, and as a result threaten the survival and material reproduction of post-war forms of governance and industrial society, forcing them towards transformation.

First we draw out the internal contradictions of the post-war Bretton Woods system which set the structural framework into which any new global order would emerge. These were uneven inflation, unsound indebtedness, and the Eurodollar market.

Second we consider the rise of a neoliberal counter-hegemony in opposition to Keynesian orthodoxy, and place this in relation to the globalization discourse highlighted in chapter two.

Third we examine a number of fiscal crises from the 1970s onwards which brought an end to the Bretton Woods system and made Keynesian configurations of political governance unsustainable, and led ultimately to the adoption of neoliberalism as a the new orthodoxy which has come to define globalization. This section shows that in each crisis the institutionalisation of the neoliberal response increased and broadened, accumulating to the point at which it appeared a natural phenomenon rather than a historical and political construction.

Last we look at the ways in which this 'so-called' globalization has produced and transformed patterns of social exclusion within the global political economy in terms of the decline of economic and social rights, the roles of risk and discipline under global finance, the restructuring of production, and the containment of anarchy at the fringes of the global economy.

9.1. Unintended consequences of Bretton Woods

The Bretton Woods system engendered three contradictory products: uneven inflation, unsound indebtedness, and the Eurodollar market. To begin, the success of the post-war Golden Age was itself dependent upon two contradictory Keynesian aims of US foreign policy with regard to international finance: first, the maintenance of international stability; and, second, the expansion of global demand for US industry. Both of these in turn depended upon a growing US balance of payments deficit which, over time, became unsustainable (B.J. Cohen 2002).

On the one hand, the US government pursued stability in all forms of international finance, particularly in exchange rates. Within the Bretton Woods framework, national capital controls were supported and speculative crises bailed out by the IMF. In addition, the US government encouraged the use of the dollar as an international reserve currency because it was by far the most solvent post-war currency, and more available than any commodity alternative such as gold. This policy was very successful. Reserves held by governments other than the US rose from one-third of the global total in 1948 to one-half in 1958 (Eichengreen 1996:114). The result, according to Mandel in 1968, was that '[i]f for two decades central banks, private banks, and capitalist enterprises have competed for dollars, it is because these dollars represented...a means of purchasing a practically unlimited range of commodities – both consumer goods and machinery' (1972:41).

On the other hand, the dollar was employed as an instrument of US foreign policy to expand global demand for US industrial production. Domestically it achieved this through Keynesian government spending to support the welfare state, full employment, industrial subsidies and military production. Abroad, it did so by balance of payments deficit spending on foreign and military aid to support the governments of Western Europe and East Asia which were under threat of domestic collapse and external coercion. This aid was conditional upon the purchase of US exports. In the early post-war years this meant supporting the International Bank of Reconstruction and Development and financing Marshall Aid. Commitments increased throughout the 1950s and 60s towards its height during the Vietnam War (Mandel 1972:37). Fred Block argues that direct military

expenditures were central. They stood at US\$576m in 1950, rose to \$2.6b in 1953 as a direct result of the Korean War and rearmament; after this they continued to rise steadily, with a particular increase in the intensification of the Vietnam War in the late-1960s, reaching \$5.1b in 1974. In contrast, sovereign loans and grants made by the US government, although rising from \$2.1b in 1954 to \$9.9b in 1974, were mostly offset by earnings from debt servicing and exports of goods and services financed by their conditions. These 'government-financed exports' rose from \$1.2b in 1954 to \$3.9b in 1974 (1977:141-4, tab.1). To Mandel this was the 'permanent arms economy,' upon which the extraordinary growth of the Golden Age depended, and which expanded the US deficit (1972:42; 1978:ch.9; Mattick 1959).

The US deficit was thus a product of this contradictory role of the US government's role as financial linchpin in the post-war capitalist world order. This contradictory role had three unexpected outcomes which together exacerbated and made unsustainable the US balance of payments deficit and led ultimately to the end of the Bretton Woods system during the early 1970s. These were uneven inflation, indebtedness and the Eurodollar market. The structural problem this created was the capacity of the Eurodollar market to penalise inflation and indebtedness posed through speculative crises.

Mandel describes the 1960s as an era of 'permanent inflation' for the whole capitalist world a result of high government spending (1978:ch.13). But the US government's role in maintaining the dollar as a reserve currency and expanding production abroad made the dollar's long-term inflation greater than that of other currencies, primarily because the value of dollar assets across the world grew faster than that of any other currency. In proportion to this relative devaluation dollars lost their value against gold after European convertibility was restored in 1958, and so US gold reserves, freely convertible against dollars, diminished throughout the 1960s. According to Benjamin Cohen, '[b]efore 1958, less than 10 per cent of America's deficits had been financed by calls on the U.S. gold stock...During the next decade, almost two thirds of America's cumulative deficit was transferred in the form of gold' (B.J. Cohen 1977:99).

This government spending was more than ever before founded upon the growth of sovereign debt. As discussed in the last chapter, the industrial capitalist state of the US model was still founded on the war model of planning, mass production and massive deficit spending. In turn, development states sought to augment whatever bilateral and multilateral aid they could negotiate with private

finance, and promote import-substitution-industrialisation. Furthermore, increased concentration in industry and finance led to increased supply and demand in private finance. As Mandel argued in the early-1970s, '[f]or thirty years... "prosperity" has ridden on an ocean of credit' (1972:90).

The global demand for dollars and credit led, in turn, to the unexpected development of the Eurodollar market, primarily based in the City of London, a market for finance existing outside the system of national capital controls (Helleiner 1994:ch.4; Tew 1988:ch.13). According to Block, '[t]he Eurodollar market, made possible by the large quantity of dollars held in foreign hands because of the U.S. deficit, is a capital market in which these dollar claims in foreign hands are loaned and borrowed. A variety of loans that might earlier have been made in New York could be made in London in Eurodollars' (Block 1977:162). The creation of the Eurodollar market was made possible by a number of key political decisions which allowed the system of national capital controls to be circumvented.

First, states that were not close allies of the US, yet which began to build up dollar reserves through exports, desired to find ways to hold dollars outside the US to avoid their risk of being seized by the US government. The central protagonist, according to Barnett and Cavanagh, was the new government of communist China: '[f]earing that the Truman administration would seize their assets in the United States, the new Chinese government consolidated its dollar accounts in one U.S. bank and then ordered the funds transferred to a Soviet-owned bank in Paris.' Indeed,

Until the 1960s, as Paul Einzig, author of an early study of the Euromarket, has written, "The Eurodollar market was for years hidden by a remarkable conspiracy of silence." Concerned that they would be criticized for being bankers to communists or, worse, that loose talk would draw competitors into a profitable business they wanted to keep for themselves, bankers refused to talk about the booming secret money market. Other governments, corporations, and individuals had a variety of other reasons, some of them criminal, for keeping dollar accounts beyond the reach of the U.S. government. (1994:365)

Second, financial interests in the City of London actively sought and received support from the British for open financial markets which would restore its dominance in European finance. While official government policy supported full employment through capital controls, it also supported the City in pursuing its role in finance. As early as 1951 Howard Wilson, then-president of the Board of Trade, decided in line with the City to allow the reopening of London commodity

markets for international trading (Strange 1986:37). Thus, once demand from outside the sterling area had created the Eurodollar market, which proved so profitable that when conversion of sterling with other currencies was resumed after 1958 the Eurodollar market continued to expand, with government promotion (Helleiner 1994:83-4; Gowan 1999:22).

Third, capital controls erected by the US government in the 1960s in an attempt to stem the balance of payments deficit made Eurodollar loans cheaper than dollar loans sourced within the US, particularly to curtail the long-term foreign lending of New York banks. Helleiner cites a number of examples of such controls: Operation Twist in response to a run on the dollar in October 1960, which involved raising the short-term interest rate thereby making the dollar more costly; the Interest Equalization Tax of July 1963, which imposed a duty on all new issues of foreign securities and equities sold in the US, and which was extended in 1964 to cover bank loans also; and a voluntary controls program in 1965. In addition, bankers were politically weak in comparison to the widespread support for full employment (1994:84-8; see Strange 1986:47-8). US banks in particular turned their attention from lobbying the US government to the profitability of the Eurodollar market, thereby increasing its growth and intensity. 'By moving their international dollar business to London, they were able to avoid the restrictions placed on their international activities by the capital controls program...Indeed, once the bankers had recognized the availability of this option, their opposition to the program diminished considerably' (Helleiner 1994:88). They were even able to avoid some domestic regulations by routing capital through the Eurodollar markets. As Block argues, '[b]ecause of the U.S. controls, the already existing Eurodollar market expanded greatly and became the dominant international capital market' (1977:162).

The Eurodollar market thus held the appearance of a capital market free from capital controls. It allowed money to appear 'a truly global product,' to apparently act as a 'connecting rod' between formerly separate national and imperial financial markets (Barnet & Cavanagh 1994:395; see R. O'Brien 1992:33). It was, according to Julien-Pierre Koszul, a New York-based Citibank official, in 1970, 'a marvellous platform from which it is easy to rebound, in any direction, to any country, into any currency - and with anonymity' (quoted by Barnet & Cavanagh 1994:397). It became the fundamental cause of the collapse of the Bretton Woods system, and the structural constraint for any future global financial regime.

9.2. Neoliberal counter-hegemony

During the Bretton Woods era the Keynesian position was gradually undermined by a political and intellectual movement which has subsequently been termed neoliberalism. As argued elsewhere (Kirkup & Evans 2009:pt.IV), neoliberals held that human well-being is measured by the individual's freedom to pursue their own interests within civil society, and is best promoted by the undistorted operation of the free market supported by a legal and political framework of private property rights upheld by the state (Harvey 2005:2, 7). They argued for the strict separation of the political sphere of the state, with responsibility for upholding civil and political rights over personal freedom and private property, and the economic sphere of the market, free to determine economic and social entitlement (Ayers 2006:323-4; T. Evans 2005:79-80; M. Friedman 1962:ch.1). In short, remove all non-economic barriers to its free operation, and the market will automatically produce the best possible result in terms of human freedom, inclusion and opportunity. And over time it will expand this freedom, inclusion and opportunity globally in ever-greater measure.

This movement grew as a counter-hegemony to Keynesian orthodoxy, as resistance to the structural constraints of the Bretton Woods era. In particular, the campaign was led by financial interests which viewed themselves as constrained by the privileging of domestic over global interests by national capital controls and Keynesian spending. It began under the leadership of Friedrich August von Hayek who published *The Road to Serfdom* in 1944 and instituted the Mont Pelerin Society in 1947 (1945; Harvey 2005:20-2, 43-4). Its members were united against the Keynesian concentration of industry and the size of the capitalist state by their memories of the Gold Standard era and their acceptance of both the neoclassical economics of Alfred Marshall, William Stanley Jevons and Leon Walras, which had been built on the classical economy of Smith and Ricardo, and the liberalism of the individual in John Stuart Mill's *On Liberty* (1985). Driven particularly by the support of financial interests, it was nurtured during the Bretton Woods era by the liberal enemies of Keynesianism, led by think-tanks such as the Institute of Economic Affairs in London and the Heritage Foundation in Washington, along with the University of Chicago and Milton Friedman, who published *Capitalism and Freedom* in 1962 (1962). Robert Nozick's *Anarchy, State and Utopia*, published 1974 (1974), and Milton Friedman's 1980 TV version

of *Free to Choose* were other key events. Harvey cites a confidential memo from Lewis Powell, soon-to-be Supreme Court Judge, to the US Chamber of Commerce in August 1971, who argued that

the time had come – indeed it is long overdue – for the wisdom, ingenuity and resources of American business to be marshalled against those who would destroy it...Strength lies in organization, in careful long-range planning and implementation, in consistency of action over an indefinite period of years, in the scale of financing available only through united action and national organizations. (Quoted by Harvey 2005:43)

The US Chamber of Commerce thus expanded its base from around 60,000 firms in 1972 to over 250,000 within ten years. The Business Roundtable, an organisation of CEOs, was founded in 1972 and was the centre of pro-business lobbying. Its members were accountable for about one-half of US GNP during the 1970s; they spent close to US\$900m annually on lobbying. Elsewhere neoliberalism emerged in different guises, such as the German *Ordoliberalism* of Wilhelm Röpke, Walter Eucken and Franz Böhm (Sally 1998:ch.6). Thus the award of the Nobel Prize in economics to Hayek and Friedman in the mid-1970s was taken as recognition of neoliberalism moving to centre-stage. In sum, according to Susan George,

the ideological and promotional work of the right has been absolutely brilliant. They have spent hundreds of millions of dollars, but the result has been worth every penny to them because they have made neoliberalism seem as if it were the natural and normal condition of humankind. No matter how many disasters of all kinds the neoliberal system has visibly created, no matter what financial crises it may engender, no matter how many losers and outcasts it may create, it is still made to seem inevitable, like an act of God, the only possible economic and social order available to us. (2000:29)

We will now investigate the process by which neoliberalism came to appear as ‘the only possible economic and social order available’, such that any deviation from has appeared to stem solely from the necessity of making this ideal work in reality in the face of various non-economic constraints such as the pace of social upheaval or political resistance. Our contention is that neoliberalism came to underpin the more broadly accepted understanding of globalization discourse we identified in chapter two. The fundamental starting point of both neoliberalism and globalization discourse is the idea of the natural market as a sphere of freedom, inclusion and opportunity. The two have become irrevocably intertwined.

9.3. Political institutionalisation

In 1971 President Nixon claimed ‘we are all Keynesians now’ (quoted by Harvey 2005:13). Yet during the following two decades Keynesian policy and the Bretton Woods system proved incapable of coming to terms with the capacity of the Eurodollar market to discipline the inflationary deficit spending of governments. Through a number of crises and developments, each of which reinforced and expanded upon the last, Keynesianism was thoroughly discredited by this course of events, in which neoliberals successfully argued that interventionist economic policies simply made things worse. As a consequence, neoliberalism emerged as the new orthodoxy of globalization discourse charted in chapter two. Its ‘new vocabulary of globalization, interdependence and competitiveness’ (Cox 1996:298) became ‘bureaucratized and institutionalised’ (Gill 1995:412) as the accepted worldview of governments, institutions of global governance, business, academia and the media. As Henk Overbeek argues, this has been especially the case within institutions of global governance for which the notion of globalization is the central condition of existence (2005:45-51). Here we trace these crises and the ways in which this new orthodoxy became institutionalised within an emerging and transforming global framework of political governance.

9.3.1. The collapse of Bretton Woods

Our first crisis is the collapse of the Bretton Woods system itself in the early-1970s during the first OPEC oil crisis. In this period financial markets were for the first time privileged over national capital controls on a global scale. According to Peter Gowan, the Nixon administration decided early on that its main objective was to combat the US balance of payments deficit, a direct result of the Bretton Woods system (1999:19-23). Various attempts had been made to forestall this crisis such as the Gold Pool from November 1961 to March 1968 (Eichengreen 1996:123-4), the various revaluations of strong currencies such as the deutsche mark (Mandel 1972:65), and the altered role of the BIS and IMF in offsetting financing (Helleiner 1994:96-9), as well as idealist proposals such as the return to

the gold standard or the creation of 'world money' independent of the domestic policy of national governments (Eichengreen 1996:117-20). The failure of these temporary measures had led the administration to reject the idea of international cooperation towards more stringent capital controls. Instead, taking advantage of the already-existing Eurodollar market, the administration 'perceived speculative capital movements as an important central tool in the U.S. strategy of encouraging foreigners to absorb the adjustment burden required to correct the country's large current account deficits' (Helleiner 1994:112). The first move was to end the Bretton Woods agreement to maintain a fixed \$-gold parity of \$35 per ounce on 15 August 1971, which led to substantial price rises in the price of gold. The second, according to Gowan, was to push OPEC towards the price rises of the early 1970s:

The US government realised that the oil price rises would produce an enormous increase in the dollar earnings of oil states that could not absorb such funds into their own productive sectors. At the same time, the oil price rises would plunge very many states into serious trade deficits as the costs of their oil imports soared. So the so-called petrodollars would have to be recycled from the Gulf through the western banking systems to non-oil-producing states (1999:21).

By this move the US, supported by the City of London, aimed to overwhelm the existing attempts to reform the capital control regime centred on the IMF. This was only possible with the existence of the Eurodollar market, which allowed for quickly arranged short-term loans.

As early as 1971 the Nixon administration was planning to have OPEC increase its prices, and in 1972 was preparing US banks to recycle petrodollars to states in the Third World which pursued Keynesian development-spending. Once the petrodollars had begun to flow the administration declared itself the victim of external forces in the media, yet this was a situation it had created itself. The administration subsequently abolished US capital controls in December 1974, vetoed two proposals to recycle petrodollars through the IMF (Helleiner 1994:111), and provided insurance to US banks working with petrodollars, guaranteeing their involvement through the Import-Export Bank financed by taxpayers (Barnet & Cavanagh 1994:368). In sum, according to Karin Lissakers, 'the oil shock propelled commercial banks into a new role as the principal financial intermediaries among sovereign states' (1991:45). By giving Wall Street the central role in recycling petrodollars, the Nixon administration began the

process of integrating Eurodollar markets with both national financial markets and sovereign debt, ensuring New York banks would be at the centre of this shift.

9.3.2. *Franklin National*

The threatened collapse of the Franklin National Bank in the US in May 1974 increased the importance of financial stability in government policy. The cause of this particular crisis was imprudent foreign exchange speculation, in other words due to its being overwhelmed by the volatility of the Eurodollar market. The US Federal Reserve, paying careful attention to the threat to US financial stability, intervened as lender of last resort, transferring risk from the financial markets to the state. According to Helleiner, the Federal Reserve

arranged a large loan for the Franklin National Bank but put no restrictions on the use of these funds for the Franklin's foreign branches in London and Nassau...The Federal Reserve also bought the Franklin's book of foreign exchange contracts, thus guaranteeing that they would be fulfilled, and it initiated extensive efforts to find a buyer for the bank, which culminated in its sale in October. The Fed was concerned that the collapse of the Franklin Bank would, as the vice-president of the Federal Reserve Bank of New York [Richard Debs] put it, "tarnish the reputation of United States banks in general". (1994:172; see Spero 1980)

This pursuit of financial stability above other issues by apparently non-political central banks has become the pattern for dealing with banking failures whenever the state has the resources to intervene. For example, for two and a half years starting in November 1990 Citibank were subject to Federal Reserve intervention to manage the threat of a collapse to Wall Street as a whole. CEO John S. Reed was

required to attend monthly meetings with the regulators at which mounting pressure was exerted on him to cut costs, slash dividends, fire staff, and unload investments to build up cash reserves...At one point there were more than 300 bank examiners going over Citibank's books. In August 1992 the regulators turned up the pressure and issued a memorandum of understanding that amounted to a formal reprimand of Citi's management for not moving fast enough. (Barnet & Cavanagh 1994:382)

The sub-prime mortgage crisis of 2007 to the present has seen various state interventions in banks for fear of their collapse, for example the nationalisation of Northern Rock in the UK, and the forced sale of Bear Stearns by the US Federal Reserve (Kennedy 2008; Stelzer 2008; M. Wolf 2008). The implicit security of

government bailout has become part of the political framework upholding global finance.

9.3.3. New York City

The New York City fiscal crisis of the 1970s led to the first imposition of austerity policies in the face of global financial discipline. This crisis was caused by deindustrialisation and suburbanisation on the one hand, and on the other the new fiscal constraints on the Nixon administration in meeting the costs of a government-funded solution. The City's attempts to finance its way out of trouble through credit failed in 1975, when financial interests, led by Walter Wriston of Citibank, refused to restructure the city's increasing debt and pushed the city into bankruptcy, a process which brought the problem under their control. For all involved this was not a choice, but a structural imperative. For example, Felix Rohatyn, the merchant banker who negotiated the deal among city, state and financial institutions was constrained by the aim of 'saving' the city, in which the only way out was threefold: first, to maintain financial stability which would prevent capital flight; second, to restore creditworthiness which would attract new investment to service the prior debt; and, third, to create more profitable conditions for investment by shifting the burden of risk from the lender to the government. It was 'a coup by the financial institutions against the democratically elected government of New York City', passively supported by the US federal government (Harvey 2005:45).

9.3.4. The internationalisation of the state

Structural constraints came to threaten the legitimacy of capitalist governments with strong financial interest groups during the late 1970s and early 1980s. In response, these governments turned to adopting and expanding global finance as the solution following the apparently successful neoliberal experiments of the Pinochet regime in Chile (Harvey 2005:ch.2), what Robert Cox calls the internationalisation of the state (e.g. 1996). We discuss this concept in more detail in the following section.

In the UK fiscal crises emerged due to the contradiction between City of London and Keynesian interests (Harvey 2005:56-8; Helleiner 1994:124-30). The government was, on the one hand, drawn into inflationary deficit-spending to maintain an untenable position, very much like the earlier fiscal crisis of New York City; and, on the other, unwilling to threaten the position of the City of London in the Eurodollar markets by instituting exchange controls. The result was stagflation: 26% inflation and one-million unemployed in 1975. To this Keynesian policies had no answer, which was thoroughly exploited by the growing adherents of neoliberalism, led by the *Financial Times*. Initially, repeated speculative crises led to the acceptance of an IMF bail-out in 1975-6: \$5.3b dependent upon financial austerity to restore financial confidence (Willett 1977:64-6). The major shift towards supporting the City of London over other interests came with the 1979 election of Margaret Thatcher's Conservative government. She appointed Keith Joseph, director of the Hayekian Centre for Policy Studies, as secretary of state for industry (Muller 2003:378-81), and that October led the abolition of Britain's system of exchange controls (Helleiner 1994:150-1). Her government also pursued widespread privatisation of every national industry except the health service, which expanded the demand for investment (Harvey 2005:59-61, 65, 76). 'There Is No Alternative,' she declared, to the acceptance of the external discipline of global finance (quoted by George 2000:29). During the 1980s and 1990s this was pursued across government ministries and also within bodies such as the Treasury and Bank of England (Baker 1999).

At the same time, Paul Volcker was appointed chairman of the US Federal Reserve Board in August 1979 in the midst of a substantial speculative dollar crisis with a mandate, according to its vice-president, 'to reassure financial markets, to buy back legitimacy, and to reassure our major trading partners and our partners in the international financial institutions' (quoted by Helleiner 1994:133). To fulfil this goal he ditched the prior policy of full employment in favour of what has come to be known as the 'Volcker shift,' the use of high interest rates to control inflation and reduce spending, at high cost to US economic stability and labour during the early 1980s (Barnet & Cavanagh 1994:396; Gowan 1999:40-1; Helleiner 1994:131-5). At the same time US banks were encouraged in their global role by a generous regime of tax credits (Lissakers 1991:ch.5). The governments of the US and UK thus withdrew from the management of domestic finance, which in turn was given the authority to merge domestic and foreign markets with the Eurodollar markets, pushing the world

further towards global finance and increasing its disciplinary power on other governments, for example in the failure of Mitterand's Keynesian policies in France, 1981-83 (Helleiner 1994:140-4).

Volcker was supported by the presidency of Ronald Reagan (Harvey 2005:51). To combat the problem of deficit spending, exacerbated by expanded Cold War spending, his administration pursued two policies which increased further the volatility of global finance. The Reagan administration promoted debt-led growth through the expansion of consumer credit, which did not have the side-effect of inflation. Barnett and Cavanagh argue that Citibank was a prime example of a bank taking advantage of new technology and government support to extend credit to individuals globally throughout the 1970s. 'Citi was determined to be banker to the crowd. Any crowd, anywhere' (1994:373). Building on this foundation, '[t]he Reagan administration saw the national shopping spree of the 1980s as the preferred pump-priming strategy for the economy and did all it could to encourage it. High living on consumer credit and tax cuts would (along with military spending) finance recovery from the 1980 recession and restore robust growth' (1994:375).

In addition, the administration encouraged the increased sale of US national debt to private buyers worldwide. According to Barnett and Cavanagh, '[e]very three months the U.S. Treasury holds a global auction of long-term bonds and short-term Treasury bills. Between 1984 and the end of the Reagan administration, Japanese securities firms were the best customers in the world for the highly prized obligations of the United States...At one auction in 1986 Japanese investors bought 80 percent of the issue' (1994:406). This allowed the expansion of deficit spending of between US\$150 and \$250b per year during Reagan's two terms. In 1986 alone, Japanese investors purchased c.\$90b of this deficit. Encouraging this role for the market led to much complexity: by late 1992 the US government owed \$2.7t in Treasury obligations to private investors; 17% of bondholders were outside the US; indeed, it owed \$1t to itself among various federal-government agencies. This has increasingly become the policy for all national governments, to open up their national debt to the global financial market to attract increased investment. More than any other factor, this crisis 'thus demolished the social basis of states and international relations of the post-war decades. It posed the challenge of reconstructing a new basis for social and political authority in all parts of the world' (Cox 1997:55).

9.3.5. *The Debt Crisis and Eastern Europe*

The Third World Debt Crisis of the 1980s led to the extension of structural adjustment to the Third World, and after the collapse of communism also to Eastern Europe, further increasing the reach of global finance. Developing states had rushed to accumulate petrodollar loans during the 1970s to pay for their Keynesian development objectives, and banks competed for Third World debt as 'a market opportunity' (Peet 2003:76). Debt among non-oil-producing developing states increased from US\$130.1b in 1973, of which c.\$18.3b was short-term, to \$612.4b in 1982, of which c.\$112.7b was short-term. At the end of 1982 their combined external debt stood at 143% of exports, and 34.7% of GDP (Nunnenkamp 1986:8,9,tab.2,tab.3). In the face of high US interest rates and global recession due to the Volcker Shift, leading to rising costs of oil and machinery imports and falling commodity export prices, debt servicing on these loans became unsustainable. Real interest rates on bank loans in dollars rose from on average 0.8% in 1971-80 to 11% in 1982, global recession meant lower prices for commodity exports (Helleiner 1994:175; Peet 2003:74), and US deficit spending dried up the availability of private finance elsewhere (Toussaint 1999:91). The crisis was foreshadowed by the increase in Third World speculative crises during the 1970s, and when Poland defaulted in 1981, but only emerged in full when Mexico declared its intention to default in August 1982, owing over US\$80b to banks (Nunnenkamp 1986:3, 6).

The fundamental problem was the capacity of the new networks of global finance to facilitate near-instantaneous capital flight, enabling, for example, US\$55b to flee Mexico between 1979 and 1982 (Grindle 1989:192). The Mexican government nationalised the banking system and imposed exchange controls, but these measures only served to exacerbate the problem by undermining financial confidence. The capital flight was so great, according to Volcker, that it 'brought the complex and automated international clearing machinery to the edge of breakdown, threatening confidence in the entire system' (Volcker & Gyohten 1992:204). Yet at the same time this instability was a great boost to Wall Street, according to Gowan. 'When a financial crisis hit a country, large funds would flee not only that country but others fearing contagion and the funds would flee to the Anglo-American financial nexus, boosting liquidity, lowering interest rates and having a generally healthy impact' (1999:41). The Reagan administration was at

first happy to preside over the windfall. But Wall Street had become so vulnerable to the threat of national default – through sovereign lending, FDI and extension of short-term trade credits in Latin America (Eichengreen 1996:163-4; Helleiner 1994:180) – that the administration was forced to step in (Helleiner 1995:95, 98). Thus once the Mexican government announced their default the US immediately ‘organized a \$1 billion loan to Mexico in the form of an advance payment for oil destined for the U.S. strategic oil reserve. This money was supplemented by a \$1.85 billion bridging loan from BIS central banks to the Bank of Mexico’ (Helleiner 1994:176).

By December US and IMF negotiations had reduced Mexico’s options to accepting the imposition of stabilisation and austerity packages. According to Helleiner,

With the Mexican government finally onside, the U.S. government and the IMF focused on pressuring the private banks to commit new funds to Mexico as part of the stabilization packages. These funds were forthcoming from the large banks that were heavily exposed to the debtors, but Federal Reserve officials and U.S. bank regulators had to pressure the hundreds of smaller banks that were less inclined to throw good money after bad. Volcker also convinced foreign central bankers and bank regulators to push their banks to participate in the loan payment rescheduling and new lending activity. (1994:179; see Kraft 1984:48-50; Lissakers 1991:206-7)

And as a result,

The Mexican packages served as the model for other debtor countries after 1982. When short-term liquidity crises struck Brazil, Argentina, and some of the other Latin American debtors in 1983-4, the United States and the BIS central banks offered these countries short-term bridging loans in return for an agreement to participate in rescheduling and adjustment programs backed by the private banks and the IMF. (Helleiner 1994:179-80)

This response to a very specific crisis, modelled on policies adopted by New York City and the US and UK governments, became the one-size-fits-all logic behind IMF intervention and World Bank structural adjustment programmes (SAPs) of the 1980s, which John Williamson has termed the ‘Washington Consensus’ (1990). This consisted of financial and trade liberalization, massively reduced public and especially welfare spending, privatization, deregulation, tax reform, and the strengthening of private property rights. Jerome I. Levinson, a former official of the Inter-American Development Bank, summarises this as follows: ‘the debt crisis afforded an unparalleled opportunity to achieve, in the debtor

countries, the structural reforms favored by the Reagan administration' (quoted by Beams 1999).

This has become an apparent necessity because, as Volcker points out, financial crises 'seem to be [occurring] more and more frequently and with greater force', especially among those states which have followed this policy advice (2000:76). 'Emerging nations making good progress towards liberal policies and reforms have been hit hard'; in fact hit the hardest, and most repeatedly, for example Mexico in 1994 and 1995, the East Asian Crisis of 1997-8, and Argentina 2001-2 (2000:77).

Structural adjustment was subsequently repackaged as the model for the incorporation of the former communist world into the global economy, particularly with regards to Europe. The IMF was the favoured institution in US foreign policy for achieving this goal. Its policy implementation came to be known as 'shock therapy' according to Jeffrey Sachs. In Poland, for example, the IMF was at the centre of the planning and implementation of the transition:

After three hectic months of preparation...the Polish big bang started on January 1, 1990. The key steps were implemented as planned: a sharp cut in consumer and producer subsidies; an end to almost all price controls; an elimination of central planning; a devaluation of the zloty-dollar exchange rate, followed by a pegged rate at the new level; an opening of foreign trade, including a suspension of licensing and quotas, and full convertibility of the currency for current account transactions; ...and the introduction of various legal changes designed to encourage new entry of private firms, competition, and demonopolization. Privatization of industry was to have started early in 1990, but it was not until June that the framework privatization law was passed. Even before the passage of the law, however, small shops began to be privatized by local governments through auctions and leases. (1994:57)

Thus one of the main results was the fast-paced 'destructuring' and privatization of former state-owned property and institutions, and as a result the forced creation of a new sphere of civil society immediately integrated as part of the global economy (Crockatt 2001:99; Patrick H. O'Neil in Balaam & Vaseth 2005:ch.14).

9.3.6. Containing failed states

The end of the Cold War saw a number of conflicts break out within 'failed states' in the former Third World, which in 1994 led Robert Kaplan to announce

this as the 'coming anarchy' in terms of 'environmental scarcity, cultural and racial clash, geographic destiny, and the transformation of war' (1994). This was most prevalent in the Balkans and in Africa, though also sporadically elsewhere, and appeared to result from the decline in Cold War military aid which had up otherwise-weak states and stifled non-superpower conflict.

Mark Duffield has charted the political response in terms of the emergence of a new amalgam of development and security within the language and policy-responses of states and institutions of global governance. He argues that development has been transformed in this period from the promotion of progressive social change towards the containment of local crises and conflicts viewed as having the potential to spill across borders and hinder the free operation of the global economy. This has led to a new focus upon 'conflict resolution and the reconstruction of societies in such a way as to avoid future wars' (2001:15; see 2007:24). As opposed to economic development, development policy thus came to concentrate on a state's 'ability to manage the multiple problems of underdevelopment and transition (poverty, resource competition, unemployment, population growth, crime, environmental degradation and so on) and, especially, to resolve antagonisms peacefully' (2001:36).

The nature of globalization discourse had a profound impact upon this transformation. The conception among policy-makers is 'that the increasing interconnectedness of the global system has magnified the threat of the internationalisation of instability in the South. This relates not only to refugee flows but to an enhanced ability to disrupt commercial activity and, through supporting the spread of related terrorist and criminal networks, to impact more directly on the North' (2001:37). A global consensus grew around the need for direct intervention to ensure containment. This meant 'the provision of immediate relief and rehabilitation assistance, ...conflict resolution and prevention, reconstructing social networks, strengthening civil and representative institutions, promoting the rule of law, and security sector reform in the context of a functioning market economy' (2001:11).

Duffield argues that such direct intervention has become the norm in the post-Cold War era, for example through the expanded role of NGOs and humanitarian assistance, the construction of the 'governance state', and direct occupation in the case of Iraq and Afghanistan. In each case, the response to threats of instability has been the construction of a particular network of political and civil

society actors within a broad framework of global governance. The aim of direct intervention has been both the immediate containment of current conflict, and the long-term transformation of state and society to prevent future conflict.

To begin, from appearing as 'a universal right and a good thing in itself' during the 1980s (Duffield 2001:75), humanitarian assistance became a focus of criticism for 'undertaking work in ongoing conflicts while, at the same time, failing to develop an effective means of resolving the wars in which it was now enmeshed...the critical message was that humanitarian assistance itself was part of the problem' (2001:80). This, Duffield argues, was the basis for the shift towards the 'new humanitarianism', led by institutions such as the UK's Department for International Development (DFID). This new approach operates in terms of consequences and social processes, in particular overcoming the problems which demanded humanitarian assistance in the first place. This involves the active construction of new social, political and economic institutions and processes, and, as such, since the mid-1990s, 'the acceptance by donor governments, IGOs, UN agencies and NGOs of the necessity of conflict resolution and post-war reconstruction [has embodied] ...a commitment to transform societies as a whole' (2001:82).

In turn, institutions of global governance have intervened in fragile states to produce a new amalgam of national and international governance, which Graham Harrison has called the 'governance state', which takes the functions of the western liberal-democratic state as its model (Clapham 2003:41-2; Harrison 2004). Here institutions of global governance, 'rather than being external to the state', have become 'an integral part of it', internal to the state apparatus, in an attempt to prevent its collapse into civil conflict (Duffield 2007:29). Thus Mozambique, Ghana, Tanzania and Uganda have been held up as successful models for other struggling states, in which economic growth, stability and poverty reduction have been achieved in contrast to regional trends (Torres & Anderson 2004:10). This has created the dichotomy between 'good performers', which have followed the advice of outside institutions, in which 'elites have internalized neoliberal doctrine'; and 'bad performers', those which have not and remain a threat to the international community (Duffield 2007:165). Furthermore, Harrison argues this has meant the end of structural adjustment, which was in essence the reduction of the role of the state, and the shift towards 'post-conditionality' which involves 'institutional capacity building; civil service (or more broadly public service) reform; the introduction of new forms of information

technology, finance, management and human resource management; technical assistance and the facilitation of public participation in policy monitoring, evaluation and development' (Harrison 2004:18; quoted by Duffield 2007:167). In other words, the construction of the governance state has entailed the wholesale reconstruction of society to contain the threat of destabilising conflict.

The final result Duffield identifies is the direct occupation of territories which have either collapsed into conflict or which threaten international conflict, the international policy of last resort. This policy option first emerged in the response to criticism to the response to the Rwandan genocide in 1994, and, at least with regards to the UN, was brought into action for the first time in Kosovo in 1999. Variants of this framework today exist in Afghanistan, Burundi, Ivory Coast, Haiti, Iraq, Sierra Leone, Sudan and East Timor (2007:ch.6). An advisory panel to the UN describes it as 'an instrument with which the UN seeks to help countries in the transition from war to lasting peace, or address a similar complex situation that requires a system-wide UN response, through subsuming various actors and approaches within an overall political-strategic crisis management framework' (Eide, Kaspersen, *et al* 2005:14; quoted by Duffield 2007:135). Add to this the emergence of 'coalitions of the willing' and 'pre-emptive regime change', Duffield argues, and we see this as part of a wider trend in international security which Michael Ignatieff labels with the title of his recent book *Empire Lite* (2003). Thus, '[m]any countries now find themselves hosting large foreign contingents of donor representatives, UN specialists, aid workers, consultants, private contractors and foreign militaries', their governments mostly in a position of compliance rather than with the open hand of invitation (Duffield 2007:135).

To take the occupation of Afghanistan as an example, the aim of occupation has been twofold. First, the creation of a security apparatus, involving a broad coalition of foreign troops, was aimed at making conflict appear futile in the face of US-led military strength, and thus contain its destabilising consequences within national borders as much as possible. Second, 'the role of aid...was to rebuild civil society, create local constituencies for peace, and, at the same time, encourage the acceptance of moderation and democratic representation among political actors - it was concerned with changing and modulating behaviour' (Duffield 2007:143). In short, the aim has been to prop up the Afghan government in a way which both contained immediate crisis - including the threat of international terrorism - and began the construction of a new state and social formation which

over time will become integrated within the global economy and successfully regulate future internal conflict.

9.3.7. *The WTO*

Longstanding disdain for the post-war trading regime based upon GATT led to the construction of the World Trade Organization (WTO), which came into being on 1 January 1995 (Kiely 2007:116-21). This represented the culmination of the development of other free trade areas of various degrees of integration, such as the EU and NAFTA, and took place through the Uruguay Round of GATT negotiations, which began in 1986. Ngaire Woods argues that the most pressing need of this reform was to move beyond the rigidities and decentralisation of the GATT system and, in particular, to increase participation, commitment and confidence among all members. Thus '[t]he WTO is now the administrator of all multilateral trade agreements, [and the] overseer of national trade policies' (1999:29). Above all, according to Caroline Thomas, its role has been to make free trade appear as the only possible basis for a global trading regime, and the only possible policy for national governments (2000:ch.5).

Marc Williams argues this has taken place by the way in which the WTO is not an intergovernmental organization in the form of GATT, but is rather a legal and institutional framework for global trade (1999:153-5). In other words, the WTO stands outside national politics and instead sets the framework for national politics, even to the extent of having jurisdiction over a number of important areas of government policy. As McMichael points out,

it has the power to enforce its rulings on member states, and these include rulings going beyond simply cross-border trade into the realm of "trade-related" issues. This means setting rules regarding the movement of goods, money and productive facilities across borders – rules that restrict countries from enacting legislation or policies discriminating against such movement. (2004:172)

Thus, for member governments of the WTO, alternatives to free trade are now no longer a possible policy option, except within the strictly defined limits of discussion and arbitration within the WTO itself. Its founding director-general, Roberto Ruggiero, has explained this principle well:

More than ever before, trade and the rules of the trading system intersect with a broad array of other policies and issues – from investment and competition policy to environmental, developmental, health, and labor standards...If we want real coherence in global policymaking and a comprehensive international agenda, then coordination has to come from the top...progress in resolving the challenge of the new century will hinge on our ability not just to build a coherent global architecture, but to build a political constituency for globalization. ...Without the WTO, we will go back to a world of national barriers, protectionism, economic nationalism, and conflict. (Quoted by McMichael 2004:153)

In this sense the WTO has institutionalised the liberalisation trade on a global scale.

Furthermore, the WTO has been set up to impose and strengthen the political-legal framework of the global economy where it does not already exist, or where enforcement is weak, in particular with regard to property rights and free trade. Important elements of this are its provisions for trade-related intellectual property rights (TRIPs) and trade-related investment measures (TRIMs). The TRIPs protocol 'establishes uniform standards, globally, for intellectual property rights protection' (McMichael 2004:182). It extends European and US patent, trademark and copyright laws across all commodities, resulting in WTO action on the production of generic medicines in India, the patenting and commodification of diverse biological materials, and the assertion of rights over computer software in Argentina and Russia (Sell 2002). In turn, TRIMs are aimed at removing limiting requirements placed upon foreign investment by host governments, in particular those which 'might include expecting a TNC to invest locally, hire locally, buy locally and transfer technology as a quid pro quo for investment access' (McMichael 2004:178). The aim is to secure the freedom of action of investors globally. As one proponent argued during the negotiations, through the adoption of TRIMs '[t]he multinational corporate community would...be able to rationalize their regional and global sourcing strategies on the basis of productivity, quality, and cost considerations in place of the political dictates that now disrupt their operations' (quoted by McMichael 2004:178). In India, for example, this led to complaints to the WTO stemming from carmakers such as General Motors, Ford, Toyota, Honda and Hyundai in the face of government policies which attempted to curb oversupply and increase domestic consumption, resulting in forced national policy changes (Devraj 2001:17).

9.3.8. Responding to Seattle

The 1999 WTO Ministerial Meeting in Seattle was beset by protests against globalization which damaged the credibility of policymakers in the Western world. Although there had been many prior protests in the South, particularly against IMF and World Bank policies of structural adjustment, this protest for the first time brought the anti-globalization movement to widespread political attention, and led to similar protests at international summits on trade, finance and development throughout the following decade. Gill considers the case of Seattle:

The battle in Seattle took place both inside and outside of the conference centre in which the meetings took place; the collapse of the discussions was partly caused by the greater visibility of trade issues in the everyday lives of citizens and the increasing concern over how international trade and investment agreements are undermining important aspects of national sovereignty and policy autonomy, especially in ways that strengthen corporate power. These concerns – expressed through various forms of political mobilisation – have put pressure upon political leaders throughout the world to re-examine some of the premises and contradictions of neoliberal globalisation. (2000:131-2)

On the one hand Gill notes how the protests themselves revealed the heavy-handed nature of coercion in the governance of globalization. Here, ‘the violence in Seattle was almost completely carried out by the heavily armed police militias who took the battle to the protesters’; since then police have pre-emptively arrested many protesters in advance of international meetings to forestall crises. Gill views this as simply one expression of the wider global trend, that ‘state authorities will quickly act to restrict basic political rights and freedoms of opposition by alternative members of civil society – rights supposedly underpinned by the rule of law in a liberal constitutional framework – when business interests are threatened’ (2000:136). To this end Tony Evans has highlighted the activities of Shell Oil in the Ogoni region of Nigeria, in which police and military assistance has been repeatedly enlisted to quell protests and evict populations in preparation for fresh construction work (2005:96-7). Thus, despite the integral support for political and civil rights at the heart of globalization discourse, the response to Seattle has revealed decisively that their provision is conditional upon prior neoliberal interests: the creation of a strong investment climate, a consistent framework of the rule of law and property rights, political stability, labour discipline, and an uninterrupted transport and communications infrastructure.

On the other, the protests have led to a direct response among states and institutions of global governance. In particular this has meant the justification of globalization and its political governance explicitly in terms of its inclusive nature (as laid out in chapter two section one), the increased prevalence of 'poverty reduction' and other ethical components in policymaking, and the de-politicisation of governance at the global level. Thus, for example, then-secretary-general, Mike Moore, defended the WTO in 2000 in terms of its inclusive purpose and role:

The WTO is a powerful force for good in the world. Yet we are too often misunderstood, sometimes genuinely, often wilfully. We are not a world government in any shape or form. People do not want a world government, and we do not aspire to be one. At the WTO, governments decide, not us.

But people do want global rules. If the WTO did not exist, people would be crying out for a forum where governments could negotiate rules, ratified by national parliaments, that promote freer trade and provide a transparent and predictable framework for business. And they would be crying out for a mechanism that helps governments avoid coming to blows over trade disputes. That is what the WTO is. We do not lay down the law. We uphold the rule of law. The alternative is the law of the jungle, where might makes right and the little guy doesn't get a look in. (Quoted by Picciotto 2007:4)

Furthermore, the IMF and World Bank moved to promote a new initiative called Poverty Reduction Strategy Papers (PRSPs), begun in 1999, and increased their importance and the dissemination of information as resistance became more prominent. According to the World Bank, PRSPs describe 'the macroeconomic, structural and social policies and programs that a country will pursue over several years to promote broad-based growth and reduce poverty, as well as external financing needs and the associated sources of financing' (IMF 2008b).

Lindsay Whitfield considers the case of Ghana's PRSP, published in 2003, which was developed in direct response to the political problems produced by structural adjustment between 1992 and 1997 (IMF 2003). The result, however, was not a change in policy orientation or the operation of the IMF and World Bank. Instead '[t]he failure of the Bank and Fund's programmes did not lead these institutions to question the policy agenda they were pushing or their operational procedures, but rather they concluded that the problem was one of government commitment' (Whitfield 2005:645). Conditionality, in many ways similar to that of SAPs, but also with a constructive component aimed at reforming the state and civil society towards more successful adjustment and policymaking, remains firmly in place (Harrison 2004:18-22). In essence, '[t]he PRSP approach is a way

for the World Bank and IMF to publicly reposition away from the deeply unpopular approaches of structural adjustment, but without substantially changing their lending practices or policy agenda' (Whitfield 2005:658-9), or in other words 'to repackage adjustment with new marketing techniques by co-opting the discourse of its critiques' (2005:659).

In the process, Ghana has been transformed into a 'governance state'. The PRSP has stabilised its government which depends each year upon foreign (mostly World Bank) aid for 40-50% of its spending (Whitfield 2005:647-9). And in turn, the PRSP has enabled the World Bank and IMF, along with its partners, to increase their presence within Ghana, such that 'donors [now] form part of the state, rather than external forces acting upon it'. As a result 'the state has internalised the Bank's discourse of reform, partly out of ideological symmetries in the Ministry of Finance' (2005:659). Moving beyond externally imposed structural adjustment has enabled these institutions to deepen their role in Ghana through a massively increased physical presence across a wide range of policy areas and within a number of government ministries. Furthermore, the World Bank has been particularly successful in this through 'the power-knowledge nexus it has created around itself, manifest in the extensive proliferation, circulation and visibility of its materials as well as the reproduction of Bank discourse in borrowing countries' (2005:643-4; see Pender 2001; Sindzingre 2004). In short, PRSPs appear to be part of a wider trend which attempts 'to generate a level of global to local integration, discipline and technical management of marginal economies, governance and populations unprecedented since colonial times', deeply linked to the proactive containment of conflict and instability considered above (Craig & Porter 2003:55; quoted by Whitfield 2005:660).

One final example is how institutions of global governance have moved towards new forms of private and semi-private authority, particularly in the form of 'networks'. This de-politicised form of authority is less visible than former configurations and thus offers fewer opportunities for expressions of organised resistance (Dillon 2003). In its simplest form, private authority appears to arise solely to govern the spaces in between public authority. Thus we find various forms of corporate authority and cooperation in which norms, standards and rules are set by negotiation. This has been made possible by the way in which states have 'deregulated' according to neoliberalism, such that various areas of economic policy have been taken out of the sphere of politics, for example

through the International Federation of Stock Exchanges, communications protocols and credit-rating agencies (Cutler, Haufler *et al* 1999:introduction).

Sol Picciotto argues that such deregulation was pursued with the explicit intention of allowing private and semi-private authority networks to be constructed in their place, for the most part with the explicit aid and support of governments. He terms this process 're-regulation'. In particular, he argues, this has been the case with global finance (Picciotto 2009:4; see 1999; 2006; Pauly 2002). Cerny argues,

deregulation must not be seen just as the lifting of old regulations, but also as the formulation of new regulatory structures which are designed to cope with, and even to anticipate, shifts in competitive advantage. Furthermore, these new regulatory structures are often designed to *enforce* global market-rational economic and political behaviour on rigid and inflexible private sector actors as well as on state actors and agencies. The institutions and practices of the state itself are increasingly marketized or 'commodified', and the state becomes the spearhead of structural transformation to market norms both at home and abroad. (1997:264, emphasis retained)

On the one hand, then, deregulation has explicitly acted as an agent of the global economy. On the other, it has led to the construction of new forms of 'network' governance. According to Overbeek, 'neo-liberal de-regulation [has led] to re-regulation of a specific kind, involving a new mix of public, semi-public and private actors and institutions that are brought together in national, regional and global forums and networks' (2005:51; see Cerny 1991; Picciotto 1999:64-6). As Saskia Sassen points out, the global economy demands more complex regulation than ever before, not less, which has led to the decentralisation of authority to specialised non-political bodies focused upon individual tasks (2002).

Duffield summarises this as the process of transformation towards 'multi-level and increasingly non-territorial decision-making networks that bring together governments, international agencies, non-governmental organisations, and so on, in new and complex ways...a noticeable move from the hierarchical, territorial and bureaucratic relations of government to more polyarchical, non-territorial and networked relations of governance' (2001:11). These networks have no single physical presence or locus of authority; their presence is decentralised, extended throughout the social formation and across borders; quite often they are invisible to all but a handful of experts in a particular field; and as such organised resistance rarely has the opportunity to confront these new forms of organisation

head on. Resistance is thus channelled into confronting the state apparatus, highly attuned to managing and pacifying protests and violence.

9.4. Global trends

We have seen, then, how a new neoliberal orthodoxy became 'bureaucratized and institutionalised' within states and institutions of global governance, as well as throughout civil society, as globalization discourse. Here we look at the ways in which this process of historical construction and political governance has produced and transformed patterns of social exclusion on a global scale highlighting four key trends: the decline of economic and social rights, the roles of risk and discipline under global finance, the restructuring of production, and the containment of anarchy at the fringes of the global economy.

9.4.1. The decline of economic and social rights

This period has seen the transformation of formerly state-enforced economic and social rights into 'market entitlements'. In particular this has been the case with regards to new priorities in welfare spending and the shift towards 'limited democracy', and has taken place within the context of the transformation of the role of the state from national economic management towards management of a competitive unit within the global economy.

First, public spending has been transformed away from welfare provision and the maintenance of social order towards the production of a competitive workforce and national physical and legal infrastructure for the operation of the global economy. This was led by the adoption of neoliberal policies within the UK and US governments during the late-1970s and 80s, and pursued vigorously through IMF and World Bank policies of structural adjustment. Cerny describes this as the creation of the 'competition state', which embodies the 'expansion of *de facto* state intervention and regulation in the name of competitiveness and marketization' (1997:251). Thus,

Rather than attempt to take certain economic activities out of the market, to 'decommodify' them as the welfare state was organized to do, the competition state has pursued increased marketization in order to make economic activities

located within the national territory, or which otherwise contribute to national wealth, more competitive in international and transnational terms. The main features of this process have included attempts to reduce government spending in order to minimize the 'crowding out' of private investment by state consumption, and the deregulation of economic activities, especially financial markets. The result has been the rise of a new discourse and practice of "embedded financial orthodoxy", which is in turn shaping the parameters of political action everywhere. (1997:259-60, emphasis removed; see 1994)

The aim of welfare spending has shifted from the maintenance of social order towards the active production of a competitive workforce, in terms of education, health, productivity and wages, among other factors. Governments have clamped down on unionisation to limit the power of collective bargaining. As Harvey argues, '[i]ndividuals [now] buy products in the markets that sell social protections ... Individual security [has become] a matter of individual choice tied to the affordability of financial products embedded in risky financial markets' (2005:168).

In turn, government spending has shifted from the maintenance of essential national industries towards privatisation and regulation. This has been visible, for example, in the way in which China's state-owned enterprises have slowly been opened up to the encroachment of foreign investment (Harvey 2005:ch.5), and elsewhere in how what were once essential public services such as water supply and telephone networks have been sold to outside investors, especially in the South (Kaufman & Segura-Ubiergo 2001; McMichael 2004:141, 155-7, 192; Ould-Mey 1994). Leys argues that, in Britain, the effect has been threefold. First, those whose incomes were once guaranteed by the state became employed by private business, with their incomes dependent upon market conditions (2003:53). Second, those parts of the welfare state which were not privatized, such as the National Health Service (NHS), were reorganized into internal 'quasi-markets' with each independent component being freed somewhat to become a market actor, dependent upon cost-benefit analyses for their existence and reproduction, often driven towards outsourcing to private contractors (2003:42). And last, the democratic politics of welfare provision was transformed to accommodate the 'active encroachment of market forces' (2003:220).

Second, this has been part of a process of limiting the extent and acceptable discourse of democratic politics, leading to the apparent inability of citizens to politically influence the global economic processes which define their lives. As discussed in the prior section, the state has ceded authority over a number of key issue areas to global governance and private regulation outside democratic

control. Cox calls this the internationalisation of the state. This process has converted the state

into an agency for adjusting national economic practices and policies to the perceived exigencies of the global economy. The state becomes a transmission belt from the global to the national economy, where heretofore it had acted as the bulwark defending domestic welfare from external disturbances. Power within the state becomes concentrated in those agencies in closest touch with the global economy – the offices of presidents and prime ministers, treasuries, and central banks. The agencies that are more closely identified with domestic clients – ministries of industries, labor ministries, and so on – become subordinated. (Cox 1996:302)

As Cerny puts it, ‘a new and potentially undemocratic role is emerging for the state as the enforcer of decisions and/or outcomes which emerge from world markets’ (1997:258). The way in which this has impacted upon democratic politics, Cox argues further, has been in the move towards ‘limited democracy’:

Since the crisis of the postwar order, democracy has been quietly redefined...The new definition is grounded in a revival of the nineteenth-century separation of economy and politics. Key aspects of economic management are therefore to be shielded from politics, that is to say, from popular pressures. This is achieved by confirmed practices, by treaty, by legislation, and by formal constitutional provisions. (1996:303-4)

Gill describes this process as the ‘new constitutionalism’, ‘the efforts by capitalist elites to legally or constitutionally insulate economic institutions and agents from popular scrutiny or political accountability’ (1992:279). This has been visible, he argues, in the way in which the conditionality of IMF and World Bank policies, the creation of NAFTA and the WTO, and the adoption of the EU Maastricht Treaty have been legalised and prioritised in national law, which has shifted numerous policy areas outside the democratic process. Thus,

New constitutionalist proposals are often implicit rather than explicit...they emphasise market efficiency, discipline, and confidence; economic policy credibility and consistency; and limitations on democratic decision-making processes. Proposals imply or mandate the insulation of key aspects of the economic from the influence of politicians or the mass of citizens by imposing, internally and externally, “binding constraints” on the conduct of fiscal, monetary, trade, and investment policies. (1995:412)

According to Andrew Baker the UK government in particular has ‘sought to... “lock in” the fundamental premises of open markets and sound money in the mandates of international institutions’, through the independence of the Bank of

England and transformations within HM Treasury (1999:90). Tony Evans argues this has also occurred through the adoption of international human rights legislation, for example the EU Human Rights Act, over and above national law (2005:ch.2). The result of such 'binding constraints' has been the shift towards 'privileged rights of citizenship and representation [for] corporate capital' on the one hand, and the constraint of democratic politics within a new straightjacket on the other (Gill 1995:413).

This reduction in the scope of politics under limited democracy can be seen by the existence of '[c]ynicism, depoliticization, a sense of the inefficacy of political action, and a disdain for the political class', which have become commonplace in democratic countries (Cox 1996:305). In a broad survey of the US, Canada, Europe, Japan, Australia, New Zealand, Latin America, Africa and East Asia, for example, Gerry Stoker suggests that such disengagement is an increasingly global phenomenon, particularly visible in declining electoral turnout, with only India bucking the trend significantly (2006:ch.2).

Third, this has also been visible in the way in which resistance to the global economy has moved beyond national politics, particularly in the appeal to a 'universal' global human rights regime. In terms of its legal discourse and rhetoric, the universal human rights regime constructed at the end of the Second World War placed equal value on civil and political rights and economic and social rights, adopting both sets in the Universal Declaration adopted in 1948, and later formally in the International Covenant on Civil and Political Rights (ICCPR) and International Covenant on Economic, Social and Cultural Rights (ICESCR), both of which entered into force in 1976 (T. Evans 1996:ch.5). Signatory states have committed themselves to what Whelan and Donnelly call the 'progressive realization' (Whelan & Donnelly 2007) of human rights within their territories, following Article 22 of the Universal Declaration:

Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality. (UN 1948b)

However, by placing enforcement and implementation in the hands of national governments, the status of human rights on a global scale stands uneven. In some parts of the world there appears to be a considerable 'disjuncture between the formal norms set out under international law and the normal practices of

governments, transnational corporations, international financial institutions, the military and the police' (T. Evans 2005:13), particularly with regards to economic and social rights (Kirkup & Evans 2009). States, partly according to IMF and World Bank conditionality, have placed an ever-increasing number of key economic and social policy areas in the hands of the market. These post-war 'rights', once universally considered a duty of the state, have thus been revealed as no more than 'entitlements' won in the marketplace or by political struggle (Thomas 1998; 2000).

Faced with weakening welfare provision, resistance movements have in many cases moved beyond national politics and appealed to some element of the global human rights regime in pursuing particular rights-claims. One example of this is the persecution of human rights activists (or 'defenders') in Central America, as documented by a 2007 report by Amnesty International which illustrates 'the difficulties, dangers and challenges facing human rights defenders in Guatemala and Honduras and the failure of [these] governments to live up to their obligation to ensure that human rights defenders are able to carry out their work free from attacks, fear and intimidation' (2007). Among a number of cases, the report highlights the forced displacement of a number of Mayan communities in the construction of the Chixoy Hydroelectric Dam in the Baja Verapaz Department, Guatemala, during the 1970s and 1980s, and the work of The Organizing Committee of Communities Affected by the Chixoy Dam (Coordinadora de comunidades afectadas por la hidroeléctrica Chixoy, COCAHICH), which campaigns for the rights of those displaced. A key issue in their campaign has been the way in which the pursuit of economic and social welfare was undermined by their displacement. Persecution of this movement by various groups, including potentially the police and military, and a lack of protection for activists, has been prominent (Amnesty International USA 2007).

As argued elsewhere, such economic and social rights-claims are often dismissed because of the primacy of civil and political rights within globalization discourse (Kirkup & Evans 2009). In this sense, the civil and political rights-claims have in many ways been achieved by COCAHICH within Guatemala, but economic and social rights-claims have given way. Activists have successfully challenged for their right to protest, but no moves have been made for compensation or redress for the material results of the displacement itself. Thus, with regard to the above case the Amnesty report quotes Hina Jilani, Special Representative of the UN Secretary-General:

Defenders working in [the field of economic and social rights] face violations of their rights by the State and/or face violence and threats from non-State actors because of their work. Violations of their rights seem to take all the forms that violations of the rights of defenders working in the field of civil and political rights take. There are some differences though, perhaps the most important being that defenders working in the field of ESCR often have a harder time having their work accepted as human rights work. This might have several effects, including difficulties attracting funding, a lack of coverage from the media to violations of these defenders' rights, and a lack of attention paid to these violations and a hesitation in seeking remedial measures at the domestic or international level. (Quoted by Amnesty International 2007)

A more extreme example is perhaps the campaign by Human Rights Watch concerning the Darfur region of Sudan from 2007 onwards in which the government-sponsored counterinsurgency has been considered the main cause of economic instability, necessitating, in their eyes, outside intervention sponsored by the UN (2008).

The problem, however, is that such movements appear to over-estimate the capacity of the global human rights regime for enforcement from sources outside the state in question. As primarily a body of international law the regime has no capacity to act in itself; in turn, human rights abuses stand outside international norms for foreign intervention. Thus, some expressions of resistance have gone as far as to put forward alternative visions of human rights which attempt to redress the discrepancy between the formal regime and the reality they face. Tony Evans suggests this is particularly the case within Islamic scholarship (T. Evans, *forthcoming*).

9.4.2. Global finance: risk and discipline

The rise of global finance has led to risk and discipline becoming important determinants of social exclusion in the global political economy. This is in direct relation to the way in which global finance is viewed as the most perfect example of the free market within neoliberal thought. At its base, for example, much of the post-war economic study of finance has drawn from Louis Bachelier's *The Theory of Speculation*, published in 1900, which modelled financial speculation as anarchical Brownian motion, a mathematical model of the random movement of particles suspended in liquid or gas (Bernstein 1992:18-23). Global finance has

come to be lauded precisely because this appearance of anarchy maximises freedom of capital. Peter Bernstein argues, for example,

These markets are the marvel of the capitalist system that the world yearns to emulate. The clatter of the computer and the roar of the trading floor are the sounds of a great battle in which investors compete with one another to determine who can buy at the lowest and sell at the highest. In no other market, regardless of product, structure, or institutional arrangement, is competition as free, as vigorous, as effective as here. (1992:306)

But anarchy is more than just appearance or image. As Harvey argues, through the institutionalisation of neoliberalism ‘the financial system has [today] achieved a degree of autonomy from real production unprecedented in capitalism’s history’ (1990:194), and as such, greater than in any previous period, it has become a power over people. This has become possible through the development of telecommunications technology (so much of which has become widespread through its direct application to finance): of computers, microchips and satellites (Strange 1998:24-6), the creation of ‘electronic money’ (Helleiner 1998), and, ultimately, the emergence of transnational spaces which seem to transcend physical, territorial world altogether (Scholte 2005:ch.2). As American journalist Thomas Friedman puts it, ‘[t]he wheels today have been so thoroughly greased that [capital] can move around the world to exploit buying opportunities anywhere, with transaction costs that are virtually zero, transmission costs that are virtually zero and speeds that are virtually instantaneous’ (2000:129-30). Its emergence has appeared as the global ‘democratization of finance’ (2000:53-60); today ‘everybody is playing’ (2000:125). In the period of globalization, through the political institutionalisation of market rule, the whole global political economy has come under the sway of global finance. As Walden Bello puts it, ‘*volatility*, being central to global finance, has become the driving force of the global capitalist system as a whole’ (1999:6, emphasis retained).

First, this has taken place because financial movements have increased the role of risk in everyday life. The dominance of global finance has enabled capital to become ‘unencumbered and volatile, moving wherever and whenever its masters desire, whether in pursuit of maximum profits or fleeing to a safe harbour’ (Bello 1999:xi). Through the institutionalisation of neoliberal policy, economic risk and volatility have been integrated into global finance by the development of a vast array of investment products, essentially various forms of risk sold as commodities. According to Bernstein, ‘[i]n response to the demand

for risk-hedging facilities...the markets for futures, for options, and for complex synthetic securities have experienced spectacular growth' (1992:302), leading to the emergence of portfolio investments from the early-1950s, stock options, index funds and derivatives from the early-1970s, put options from the late-1970s, futures from 1983, and hedge funds, particularly after the October 1987 crash in the US (Strange 1998:ch.2).

The massive growth in the market for these products is contradictory: on the one hand these products insulate individual capitals from financial risk; on the other they contribute to the volatility of global finance as a whole. As Richard Bookstaber argues,

The structural risk in the financial markets is a direct result of our attempts to improve the state of the financial markets...The steps that we have taken to make the markets more attuned to our investment desires – the ability to trade quickly, the integration of the financial markets into a global whole, ubiquitous and timely market information, the array of options and other derivative instruments – have exaggerated the pace of activity and the complexity of financial instruments that makes crises inevitable. Complexity cloaks catastrophe. (2007:5)

Speculative investment funds, trading in risk products, are driven by the imperatives of competition towards ever-greater risk-taking. They 'need to make larger and larger bets' just to survive, according to Thomas Friedman:

Imagine a billion dollars stacked on the head of a pin and you have the right idea. This is usually done by fund managers employing exotic trading products – swaps, futures, forwards, options, derivatives and indexations – and then leveraging them by borrowing even more money than their investors have given them in order to expand each of their bets...As a fund manager, when you win big now, you can win very, very big, and when you lose now, you can lose very, very big. (2000:123)

Hedge funds, for example, the assets of which have risen from around \$300b in 2002 to over \$2t in 2007, contribute to market uncertainty by profiting from limited information, a key source of volatility (Bookstaber 2007:5; Mallaby 2007:92; Stiglitz 2000:1079). Peloton, a European hedge fund, was forced to suspend trading only five weeks after winning two 'EuroHedge' awards for its performance in 2007 in what *The Economist* calls 'the murky world of mortgage-backed securities' (2008). Through this process, according to Bernstein, '[t]he complexity and speed of financial innovation have reached a point where it is hard to grasp what is happening from moment to moment' (1992:1). The result is that disciplinary power has increased in step with the capacity of investors to panic *en masse*.

In addition, the short-term nature of these new products has increased the likelihood of capital flight because the capacity to withdraw funds to safe havens is viewed also as the reduction of risk. This has increased volatility much more in the South than elsewhere. The 1994/5 Mexican Crisis is an example of the 'explosive' potential of short-term investments and repeated shocks (Gil Diaz & Carstens 1996). Indeed, this insulation from risk within the West lies at the heart of how the 1997/8 East Asian Crisis, which Stiglitz terms 'the worst financial and economic crisis since the Great Depression,' caused such devastation in the economies affected but such limited damage in the West, despite the massive exposure of Western finance (2000:1075).

Second, this transfer of risk-protection from the state to global finance has institutionalised the role of the 'external necessity' of the market to discipline the behaviour of all social actors and determine their position – or, as Kapstein puts it, the 'winners and losers' – within the global political economy (2000). This has occurred in how speculative finance tends towards 'herd' behaviour in investment and capital flight, which has the effect of punishing some and rewarding others according to perceptions of profitability (T.L. Friedman 2000:ch.7). This disciplinary power has grown in step both with the volume and volatility of financial markets and with the exposure of actors to market forces. The greater the volume, volatility and exposure to global finance, the greater its capacity to discipline through speculative crises and capital flight. In 1997 *The Economist* summed it up this way:

The problem is that all financial markets, from currencies to shares, are subject to waves of excessive optimism followed by excessive pessimism. In theory, speculation should be stabilizing: to make money, investors need to buy when the price is low and sell when it is high. However, in a bubble it is profitable to buy even when the price of an asset is high, as long as it is expected to rise further – until the bubble bursts. An investor will lose money if he does not go with the crowd. (Quoted by Bello 1999:2)

In turn, new forms of private governance have emerged which have increased the disciplinary power of global finance. Creditworthiness has become the most important indicator of financial stability, defined as the 'future ability and willingness of an issuer to make timely payments of principal and interest on a security over the life of the instrument' (Sinclair 1993:7). Two main companies dominate the surveillance of creditworthiness: Moody's Investors Service and Standard & Poor's Ratings Group, both based in New York. Timothy Sinclair describes their operation:

The structural empowerment of the capital markets has been matched by a new valuation of certain forms of knowledge... What is crucial is the valuation placed on analytic frameworks having to do with economic and financial advice. This valuation has grown because of the increased uncertainty resulting from the greater volatility of international financial transfers. Corporations and governments want to reduce or at least specify the amount of risk they are assuming. (1993:7)

Their role is central to how the complex regime of part-public, part-private global financial governance increases the disciplinary power of the market. The role of the IMF as mediator between state and market, for example, which depends upon a substantial volume of surveillance and negotiation with private actors including credit-raters (Pauly 1997:ch.6; Scholte 2002:195-6), leads to the increased disciplinary power of the market because the IMF pursues structural adjustment – in other words openness to global financial flows – as the solution to crises caused by the volatility of that very same global finance, illustrated by their response to the 1997/8 East Asian crisis (Peet 2003:80-3). Furthermore, private investors have come to consider SAPs as a ‘seal of approval’ for future lending (Pauly 1997:114).

All actors are driven by this disciplinary power to either acquiesce to the demands of market rationality or lose out in the battle for survival and material reproduction. On the one hand, as Thomas Friedman observes, states which adopt neoliberal policies ‘are rewarded by the herd with investment capital. Those that don’t are disciplined by the herd – either by the herd avoiding or withdrawing its money from that country’ (2000:110). According to Cerny, states are thus being homogenized into the form of the ‘competition state,’ the form most attractive to global finance. ‘Rather than attempt to take certain economic activities out of the market, to “decommodify” them as the welfare state was organized to do, the competition state has pursued increased marketization in order to make economic activities located within the national territory, or which otherwise contribute to national wealth, more competitive in international and transnational terms’ (1997:259, emphasis removed). For example, Thomas Friedman recounts Moody’s threat to the Canadian government in February 1995 ‘that if they did not get their deficit-to-GDP ratio more in line with international norms and expectations, Moody’s would downgrade their triple-A credit rating, and therefore Canada and every Canadian company would have to pay higher interest rates to borrow abroad’ (2000:110).

In turn, individuals and communities across the globe have been increasingly disciplined by global finance to exist according to capitalist market imperatives, a process which undermines non- and semi-capitalist social structures. Perhaps this is most visible in how the IMF became the point of resistance, especially between the late-1980s and the 1999 protests against the WTO Seattle, against how '[c]apitalism creates destitution by throwing people away when they no longer benefit the structures and processes around them' (Bush 2007:xiii). According to McMichael, for example,

In Mexico, as part of the IMF loan rescheduling conditions in 1986, food subsidies for basic foods such as tortillas, bread, beans, and rehydrated milk were eliminated. Malnourishment grew. Minimum wages fell 50 percent between 1983 and 1989, and purchasing power fell to two-thirds of the 1970 level. The number of Mexicans in poverty rose from 32.1 to 41.3 million, matching the absolute increase in population size during 1981-1987...17 million lived in extreme poverty. (2004:135)

IMF-led policies of structural adjustment became the battleground for social resistance. Between 1976 and 1992 146 riots occurred in 39 debtor states. Walton and Seddon argue that their common thread were 'grievances over state policies of economic liberalization implemented in response to the debt crisis and market reforms...devised and implemented by the International Monetary Fund' (1994:39). In particular, they emerged where and when structural adjustment had precipitated overwhelming and acute social change among people made dependent upon the market for material reproduction by the erosion of social protections. Peet cites the following example from February-March 1989:

Protests in Venezuela centred on an increase in petroleum prices resulting from the removal of government subsidies...As the *New York Times* reported [on 1 March], 'Venezuela's president said dozens of people had been killed and hundreds wounded in rioting today...over economic measures imposed by the Government to satisfy its creditors' (2003:89).

But the defining nature of this resistance was embodied by the frustrations of a *Zapatista* spokesperson during the January 1994 uprising in Chiapas precipitated by the accession of Mexico to NAFTA: '[w]hen we rose up against a national government, we found that it did not exist. In reality we were up against great financial capital, against speculation and investment, which makes all decisions in Mexico, as well as in Europe, Asia, Africa, Oceania, the Americas - everywhere' (quoted by McMichael 2004:167).

The essence of resistance against global finance, then, has been against its capacity to impose the ‘external necessity’ of market rule on a global scale. This is what the *Zapatistas* and all the protestors against the IMF were resisting. Their struggles represent the many localised moments in which the historical construction of global finance was recognised as a disciplinary force, as the subjection of social actors to the power of market primacy to determine some to be winners and many to be losers.

9.4.3. The restructuring of production

The failure of Fordist industry under Keynesian national economic management led to a transition towards post-Fordist structures of production under the leadership of global finance, as considered in depth by David Harvey (1990:chs.9,10) and Mark Rupert (1995:ch.8). Large-scale industrial production utilising unionised labour in the leading OECD states has, through state policies privileging neoliberal orthodoxy, given way to ‘long-term tendencies toward transnational production, corporate “restructuring”, subcontracting and outsourcing, plant closings and layoffs...and union-busting’ (Rupert 1997:142), in which ‘[e]conomies of scope have beaten out economies of scale’ (Harvey 1990:155). The key shift, according to Harvey, has been away from the rigidity of Fordism and towards ‘flexibility with respect to labour processes, labour markets, products, and patterns of consumption. It is characterized by the emergence of entirely new sectors of production, new ways of providing financial services, new markets, and, above all, greatly intensified rates of commercial, technological, and organizational innovation’ (1990:147). This transformation of the structures of production has been a ‘factory of fragmentation’ (2000), and has led to the transformation of patterns of social exclusion in terms of the transformation of labour practices and the intensification of work, new spatial arrangements of production, the transformation of gender roles, new patterns of migration, and imposed new obstacles for labour resistance.

First, this has led to the transformation of labour practices and the intensification of work through changing workplace technologies, surveillance and control (Gill 1997; Harvey 1990:147,156). Workforces have become fragmented in the drive towards economies of scope, and thus reducing its capacity for unionisation and collective bargaining as a whole, witnessed for example in the

shift towards Just-In-Time production in Japan (Mittelman 1997:86-7). According to Harvey this has meant 'radical restructuring' in the labour market, in which 'employers have taken advantage of weakened union power and the pools of surplus (unemployed or underemployed) labourers to push for much more flexible work regimes and labour contracts', made possible through changing government legislation in industrialised states. This has involved 'the apparent move away from regular employment towards increasing reliance upon part-time, temporary or sub-contracted work arrangements'. He argues this has produced a fragmented workforce in which those with 'job security, good promotion and reskilling prospects, and relatively generous pension, insurance, and other fringe benefit rights' exist alongside various other groups within the labour force defined in different ways by their flexible employment arrangements, in other words their job insecurity, lack of prospects, and lack of non-salary benefits (1990:150).

Second, this has meant the geographical transformation of production processes, both in terms of the 'peripheralization' of large-scale and labour-intensive production (Gill 1992:278), and the fragmentation of small-scale and high-technology production into smaller and smaller units, often highly concentrated in regions such as the 'Third Italy', Flanders, and Silicon Valley (Harvey 1990:147). James Mittelman suggests this dynamic is of continual change and transformation in which '[r]egional divisions of labour are...not static but change rapidly, reflecting expansion and contraction of production in different locales, the instantaneous movement of finance, the coalescence of production and trade networks, as well as the consolidation of production and distribution systems' (1997:86). He further argues that these shifts are revealed by the 1980s and 90s literature on the New International Division of Labour (NIDL) (1997:83-5). Through the development of global commodity chains and other forms of restructuring, production has taken the form of a 'world factory', in which 'the production steps are separated and distributed among geographically dispersed [and specialised] sites in assembly-line fashion, producing and assembling a completed product...World products (an automobile, a cell phone, a miniature computer, a pair of jeans, or an electronic toy) emerge from a single site or a global assembly line of multiple sites organizing disparate labor forces of varying skill, cost, and function' (McMichael 2004:80-1). In this sense the globe has become regionalised in terms of production. The most pressing example is that of the East Asian 'Tigers' towards 'export manufacturing using labour-intensive

methods' (2004:81), copied in Mexico's Border Industrialization Program in the late-1960s and 70s, in China throughout the 1990s and 2000s, and in various Export Processing Zones, 'specialized manufacturing export estates with minimal customs controls,...usually exempt from labor regulations and domestic taxes' (2004:87). By 2000 these numbered over 800 globally. Indeed, such regional specialisation is matched by the increasing division of labour at each site of production.

Third, this has led to the transformation of the role of women in production. Isabella Bakker suggests there are two trends in this process: gender erosion and gender intensification. On the one hand, gender differences are being eroded by new labour processes which are constructed in a way which de-emphasise gender and in its place emphasise differences in skill, class or race. State legislation has been essential in this process. On the other, women are entering the workplace in ever-greater numbers, especially in terms of the 'feminization' of the labour force in which 'women, often paid lower wages, take jobs formerly filled by men' (1997:128). According to Harvey,

the new labour market structures make it much easier to exploit the labour power of women on a part-time basis, and so to substitute lower-paid female labour for that of more highly paid and less easily laid-off...male workers...The Maquiladora programme that allows US managers and capital ownership to remain north of the Mexican border, while locating factories employing mainly young women south of the border, is a particularly dramatic example of a practice that has become widespread in many of the less developed and newly-industrializing countries (the Philippines, South Korea, Brazil, etc.). (1990:154-5; see Pyle 2001)

This has led to a number of moves towards unionisation, but '[b]ecause of most women's locations within the wage labor market – in low-wage, light-industry and service jobs as well as in the so-called informal labor force of street vendors and subsistence agricultural producers – their labor organizing is more difficult, but also more varied, than the typical workplace-centered organizing that goes on in male-dominated industries' (Peterson & Runyan 2005:237).

Fourth, this has affected migration patterns also. Hélène Pellerin suggests global migration has been transformed according to a new dichotomy between desirable and undesirable circulation, underpinned by increasing legislation within OECD governments. Thus '[w]hile the circulation of some categories of migrants – the lower tier composed of refugee claimants, unskilled labour and family members – is increasing restricted, as higher legal and police barriers are erected around the wealthiest regions of the world' (2002:284), '[i]mmigration

policies in major industrial countries now tend to privilege particular categories of immigrants...Business and highly skilled people are welcome while other categories of migrants see their rights to entry limited' (2002:289). The former have become almost a sub-class within receiving states, the target of diminished rights regarding family reunion, access to education and health care services, and citizenship. Often they are criminalised altogether, and exist outside formal citizenship: their transit is discussed in terms of 'smuggling networks and international gangs'; they are discussed within the media as 'illegal immigrants' (Mittelman 1997:93). These newly restricted flows are varied, but the end result is that migration has come to 'reflect a hierarchy among regions, countries, and different rates of industrialisation' (1997:90).

Finally, these transformations have been accompanied by the reduced capacity of labour to resist such changes, particularly through the role of the state in dismantling union powers (Hobsbawm 1994:414-5). According to Harvey, neoliberal policy is

hostile to all forms of social solidarity that put restraints on capital accumulation. Independent trade unions or other social movements...have therefore to be disciplined, if not destroyed,...in the name of the supposedly sacrosanct liberty of the isolated labourer...While some individual labourers may undoubtedly benefit from this, the asymmetries of information and of power that arise, coupled with the lack of easy and free mobility of labour (particularly across state borders), put labour at a disadvantage. (2005:75-6)

In this way the greater spatial flexibility and fragmentation under post-Fordism has 'allowed employers to exert stronger pressures of labour control'. Organized labour has been undercut by the introduction of industry 'in regions lacking previous industrial traditions, and by the importation back into the older centres of the regressive norms and practices established in these new areas' (Harvey 1990:147). Global finance and TNCs have exploited this 'enhanced capacity for geographical dispersal, small-scale production, and the pursuit of [niche] markets' to undermine the possibilities of labour organisation (1990:157-8). State policy has been essential, such that '[t]o the degree that heightened international competition...forced all states to become more "entrepreneurial" and concerned to maintain a favourable business climate, so the power of organized labour and of other social movements had to be curbed' (1990:168). As Pellerin argues, this has in turn been important in migration policy. Policies which emphasise certain forms of immigration have been used to increase the fragmentation of the labour

force to the point at which organisation and resistance according to class or skill are made to appear fruitless (1997:112-6).

9.4.4. *Anarchy at the fringes*

Taking the position of Stephen Gill, this section so far has related

principally to those individuals and populations that are integrated into the privileged, corporate circuits of production, consumption and finance. In the context of the wider global political economy, these people represent less than 10 per cent of the world's population. The rest... – its vast majority – is in effect excluded from these islands of...affluence, since they do not represent opportunities for exploitation and profit. These people, however, may pose a threat to the privileged circuits and as such the systems of policing and military organization are in part configured to prevent them from threatening the basis of the social order that underpins the global political economy (1997:52)

Regardless of whether his figure of 10% is accurate, the essence of his argument picks up on two key elements of the global political economy with regards to the production of exclusion.

First, as we have already seen above, transformations in welfare, finance and production have all contributed to particular patterns of social inclusion and exclusion on a global scale. As much as these patterns are graduated within the islands of 'affluence', each has also propagated a division, in a broader sense, between those within and those without. The most pressing division, argues Duffield, is that between insured and non-insured life, as touched upon in chapter two. To quote Duffield at length:

For insured life, as a general responsibility of government, an important factor in ameliorating the contingencies of existence is a social insurance regime offering a range of compensatory benefits supported from contributory payments and taxation. Together with private insurance and personal savings, as well as support from voluntary agencies, 'developed' life is promoted through a range of public welfare bureaucracies, benefits and safety nets covering maternity, health, family support, education, housing, employment injury, unemployment protection and pensions. A system of public infrastructure involving massified energy, transport, nutritional, retailing and environmental systems also underpins these bureaucracies and safety nets... 'underdevelopment' is the fate of life existing beyond or outside these insurance-based welfare systems. (2007:17; see Wood & Gough 2006)

For insured life, then, the state plays a significant material role in maintaining its particular existence within the global political economy. The anarchy of

economic life, the volatility of which is increasing in step with the expansion of the global economy, is actively assuaged for this group. Their status has been won either through political struggle over citizenship rights, or purchased within the marketplace. Non-insured life, in contrast, is expected to survive not according to state provision and welfare protections, but rather according to self-reliance:

Within development policy...there is a longstanding, indeed, unconscious acceptance that non-Western populations, except for basic needs and essential public goods, are essentially self-reliant in terms of their general economic, social and welfare requirements, and, moreover, that development is essentially about improving self-reliance through helping to meet basic needs. As a corollary, it is widely assumed that people in underdeveloped countries do not need the sort of welfare safety-nets on which the more atomised populace of mass consumer society is dependent. (Duffield 2007:18)

Non-insured life within the global political economy thus exists on the outside of formal economic process and state-guaranteed rights. As we have already seen with regards to migrants living within OECD, this division exists both within states and across borders. The state has been at the centre of creating this distinction, on the one hand making sure economic and social provision and insurance is limited to particular groups depending upon citizenship, thus defining peoples who exist on the outside of this status; and on the other turning these former rights into entitlements dependent upon the capacity to purchase such insurance on the market.

In this sense too the South as a whole appears to stand outside the global economy, isolated and excluded from the dominant networks of communication, trade and finance. 'Many traditional primary products are no longer required...investment is risky, the available workforce lacks appropriate skills and education, markets are extremely narrow, telecommunications inadequate, politics unpredictable, governments ineffective', observes Duffield. However, he argues further, such 'formal economic exclusion is not synonymous with a void'; rather it has meant 'the spread and deepening of all types of parallel and shadow transborder activity...the site of new...patterns of extra-legal and non-formal North-South integration' (2001:5; see Bayart, Ellis *et al* 1999). McMichael argues that just as globalization promotes the formal global economy 'it intensifies its opposite - a growing culture of informal, or marginal activity. This... involves people working on the fringes of the market, performing casual and unregulated labor, working in cooperative arrangements, street vending or pursuing what are

deemed illegal economic activities' (2004:214). This economic distinction between formal and informal processes has been constructed artificially: it deems one side of the coin to be legal and included, and the other to be illegal and excluded. Urbanisation in the global south reveals this most clearly in the existence of prosperous financial districts and shanty-towns within visible distance of one another. In turn, women are often at the heart of these informal sectors, for example in terms of street vending and subsistence agriculture (McMichael 2004:91-3). These informal processes are in themselves an expression of resistance. According to Serge LaTouche, such informal economic processes are 'strategies of response to the challenges that life poses for displaced and uprooted populations...torn between lost tradition and impossible modernity' (quoted by McMichael 2004:219). They are the active production of alternative ways of life.

Second, these islands have come to regard elements of the rest of the world's population as a threat demanding containment through 'systems of policing and military organization', to use Gill's phrase. Such populations are 'politically surplus' within the global order (Duffield 2007:14). Just as these populations are characterised by their engagement in informal economic processes, they are characterised also by their status outside the formal regime of state governance. According to Duffield this is just one part of the much wider increases circulation taking place within the global political economy, along with the separation within globalization discourse of "good" circulation – such as finance, investment, information, skilled labour and tourism – from the "bad" circulation associated with underdevelopment: refugees, asylum seekers, unskilled migrants, shadow economies, trafficking, drugs and terrorism' (2007:30). The perceived threat, then, is from circulation generated outside the formal politically-regulated vestiges of the global economy, from the anarchy of ungoverned spaces within the global political economy which produce 'an excess freedom to move, flow and circulate, thus potentially destabilizing international society's finely balanced and globally connected way of life' (2007:187).

Such definitions of good and bad circulation and developed and underdeveloped themselves produce a discourse of social inclusion and exclusion which justifies particular forms of exclusion as necessary. Such containment comes under what Cox calls 'poor relief and riot control'. Thus, he argues,

Humanitarian assistance (the poor relief component) has become a top priority of the United Nations and a major activity of a vast range of non-governmental agencies. Where poor relief is inadequate to prevent political destabilization, then military force (the riot control component) is evoked by the international community. Together, they help to sustain the emerging social structure of the world by minimizing the risk of chaos in the bottom layer. (1997:58)

We have considered this development in detail in the section above in terms of the containment of failed states, and therefore need not repeat it here. Resistance at the international level to such interventionism has emerged in the foreign policies of some states to separate from the US-led global economy. President Mahmoud Ahmadinejad of Iran for example has consistently argued for his state's separation from the global economy. Recently he has advocated the shift towards increasing preference towards the regional Economic Cooperation Organization (ECO) of which Iran is a member, with the aim being to create a competing centre for global economic processes (Tehran Times 2009). In consequence,

The US to a large degree has been successful in cutting Iran from normal international financial institutions. Many European and Asian banks have been forced to reduce or cut their financial ties to Iran. Even some Chinese banks have come under pressure to restrict their dealings with Iran, not to mention UAE and Bahraini banks. This coupled with two successive UN sanctions have been hurting the Iranian economy much more than the government has been willing to admit. (Bakhtiar 2008)

The US government and other international institutions in this way maintain a disciplinary stance towards such resistance. The political containment of anarchy within the global political economy extends well beyond the transformation of development policy examined in the last section. It is an essential component of global order, and in its operation reinforces boundaries between social inclusion and exclusion on a global scale.

10. Conclusion

The bourgeoisie cannot exist without constantly revolutionising the instruments of production, and thereby the relations of production, and with them the whole relations of society.

Marx & Engels (1978:476)

This work has explored the orthodox conception of social exclusion in the global political economy through the methodology of critique. Our investigation has concerned the way in which patterns of social exclusion have been constructed within the capitalist global political economy in terms of land, labour, capital, rights, gender and truth.

What we have found through the contrast of Marx's historical materialism with political-economic orthodoxy is that inclusion and exclusion are fundamentally intertwined and inseparable within the global political economy. Both are products of social struggle among competing interests over the historical construction and political governance of its central social institution: the market. Thus, the production of social exclusion is a direct consequence of attempts to construct and be included within social structures, institutions and orders within the global political economy. By their very nature, the outcomes of these struggles both actively include some and exclude others. In the global political economy, exclusion is never exclusion *from*; rather, exclusion needs to be understood as exclusion *within*. Anything which establishes the condition of inclusion on the one hand also establishes the condition of exclusion on the other. The two must be conceived as a single whole.

Foucault's notion of power and his method of critique suggest this is a direct consequence of the way in which social power-relations operate through orthodox political-economic discourses (2007). Orthodoxy creates the possibility of exclusion by considering only one side of this dichotomy, the state of inclusion, and falsely considering this to be the whole. It does so by obscuring the fundamental basis of the global political economy, which, following Marx, is the 'rule of capital' within the market (1973:652). The purpose of our critique, then, has been to bring hidden mechanisms of exclusion to light, including the role of orthodoxy itself, enabling social groups to resist and challenge the social structures, institutions and orders within which they are excluded.

Let us now draw from our work, particularly the last four chapters regarding the capitalist global political economy, the major themes in the production of

social exclusion. We change the order of these factors to reflect their importance. We end with a brief consideration of avenues for future research.

10.1. Patterns of social exclusion

10.1.1. The rule of capital

To begin, the 'rule of capital' in the global political economy is not just *a* factor in the production of patterns of social exclusion on a global scale, but is rather *the* factor, the central, most fundamental structural determinant of these patterns. The historical construction and political governance of this rule of capital in the market is central to the basic patterns of social exclusion produced and reproduced on a global scale. This is the case, according to Marx, because the global political economy is a construction of the capitalist mode of production, which has as its central dynamic the reproduction of capital as a historically specific social relation, especially in its relation to production.

Thus, particular historical contexts have made certain structural agglomerations of capital, for example merchant's capital, joint-stock companies, family businesses or the multinational corporation, more or less suitable for survival and material reproduction under market pressures within the global political economy (Marx 1959:ch.20; 1990:775-7). All non-capitalist social formations which have been drawn into the market have also come under these pressures, resulting in being disciplined towards market relations (Meiksins Wood 2002:100). Furthermore, capital has also drawn on political governance to shape the market to its ends, for example through imperialism (Harvey 1975). This has operated as a form of exclusion in terms of productivity and competitiveness on the one hand, and the capacity to obtain needed political intervention on the other. In turn, this has produced a fundamental dichotomy between economic processes and actors in the market, and non-economic, non-market processes and actors on the outside.

In turn, money has become the universal representative of all forms of wealth (Marx 1973:215-23). Just as all land, goods and factors of production have been transformed into commodities, money has developed into the universal means of exchange for these commodities (1973:165). Money rather than any other form of property has become the central expression of wealth, ownership and social

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power within the global political economy (1973:146). Under globalization this has meant especially the expansion of finance and credit as 'fictitious' money (Harvey 1985:137). Exclusion has thus most fundamentally become a function of money-wealth. Who owns money? Who has access to it? Who can gain credit? Which currencies are stable and universal globally? This has been the case because money, rather than other expressions of wealth, can be employed as capital through its capacity to purchase the factors of production (Marx 1973:217). Within the market, the imperative of capital to self-valorise, in other words to repeatedly enter the production process and to make money into more money and thus continually increase in value (1990:255), has become the central dynamic behind the movements and transformations of the global political economy. Money and wealth have become co-extensive with capital, and their ownership likewise. Exclusion according to the ownership of money means also exclusion according to the rule of capital within civil society.

Thus, under agrarian capitalism in England the capitalist dynamic was first constructed out of the decline of feudal relations within a national market (Meiksins Wood 2002). Here money became the universal representative of all wealth, production became predominantly destined for the market, and competition arose in terms of productivity. The Industrial Revolution led to the construction of a global political economy upon the basis of the mercantile world market, but in this instance following the productive demands of capitalist industry (E.R. Wolf 1982). In this movement the initial industrial patterns of social exclusion were developed and global patterns were transformed according to productive demands.

In the post-1945 Golden Age the global political economy was transformed and expanded according to new productive demands stemming from the construction of a US-led capitalist world order in direct opposition to the communist world (Rupert 1995). This period saw the adoption of Fordism and policies emphasising development and state-led industrialisation, along with national economic management and capital controls. This led to further transformations in industrial patterns of social exclusion, and reproduced and transformed global patterns within the framework of development and national independence in the newly emerging Third World.

Lastly, in the age of globalization the adoption of post-Fordist production techniques, the emergence of a 'global' economy and the primacy of global financial movements directed a new set of transformations in patterns of social

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exclusion, especially surrounding the accelerated commodification of social life and nature (Gill 1995). In particular these have been the decline of economic and social rights, the growing impacts of financial risk and discipline in everyday life, new labour practices and disciplines introduced in the restructuring of production, and the increase in ungoverned anarchy and the identification of informal economic processes outside the wealth-centres of the global political economy.

10.1.2. Orthodoxy as truth

This rule of capital has been masked by a succession of orthodox political-economic discourses which have emerged through various social struggles. The three we have considered in historical context, *laissez-faire*, Keynesianism and neoliberalism, were in this way socially constructed and politically institutionalised as 'common sense' within the global political economy as a part of the social struggle among competing interests within civil society (Gramsci 1971). With regards to social exclusion these discourses and their construction shared the following traits.

First, the market, and thus the rule of capital within the market, is made to appear inevitable, natural and eternal as part of this social struggle, as though there were no other possible or legitimate organisation of the global political economy (Cox 1996). This obscures its historical construction and political governance as potential factors in the production of social exclusion. Instead, social exclusion is posited as a condition of being on the outside of the central political-economic processes, and often as an impediment to their free operation and further expansion.

Second, the individual is presupposed to be the only social actor of consequence. The rational market behaviour of Ricardo's economic man, drawn out by Marx's critique, has remained the central pillar of each subsequent orthodoxy. This has defined certain social relations as legitimate, such as that between state and citizen, along with those among individuals within civil society as in the case of employment, and sidelined others, particularly the political organisation of classes and social groups (Cox 1983). It has given social institutions such as the corporation the judicial status of the individual, rather than recognised them as a specifically social institution (Micklethwait &

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Wooldridge 2003), and in turn consistently undermined the social organisation of resistance within civil society (Amoore 2005).

Third, the market is presented in terms of freedom, opportunity and inclusion, as the only sphere in which the full potential of human life can be realised. All other social relations are dismissed as wasteful, immoral, or even impossible (Corbridge 1992). This has had the effect of silencing social criticism and debates about alternative forms of society and political economy.

Fourth, a set of correct and common sense principles are defined which discipline institutions of political governance towards particular policy outcomes (Gill 1995). Policy-makers, working within the orthodox worldview and the structural position this assigns to the political sphere, produce and reproduce the rule of capital in the market by following the basic premises of this orthodoxy. The variation between the precise nature of these orthodoxies here appears substantial, but the rationale of such orthodoxy with regards to the political sphere is consistent: how best to sustain, support and promote the key interests of capital within the current historical context?

Last, there is a silence concerning to whom these discourses do not apply (Foucault 1998:100-1). There is no conception of the status of being outside their description of the world except perhaps recognition of the 'otherness' of that status, the definition of one thing as not-another.

If we review our three orthodoxies we find these five exclusionary traits in action. *Laissez-faire* was the discourse of industrial capitalism in England, promoting free trade and the commodification of land, nature, labour power and its products at a time of competitive advantage for English producers in the world market (A.J. Taylor 1972). It was employed in the struggle against mercantile and landed interests, and globally as the antithesis of all non-capitalist social forms, legitimising their subordination to the rule of capital within the global expansion of market relations. It equated free trade with the religious truth of its day, placing the construction of a global political economy and the expansion of empire as a moral imperative in the name of civilization. Under *laissez-faire* the individual was first recognised as the central actor in society, a reflection of social transformations within agrarian capitalism, for example in the assumption by Adam Smith that it is part of human nature to truck, barter and exchange (1993:21). It defined the (European) bourgeois individual in direct contrast to those existing in non-capitalist social forms elsewhere, including those extended and administered under imperial rule according to regional specialisation. This

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can be seen for example in the dichotomy between savage and civilized (Jahn 2005).

Keynesianism was the discourse of the post-1945 capitalist world order. It emphasised large-scale industry, the welfare state, full employment and national capital controls, and was seen as the best response to the threats of economic collapse, social disorder and the nascent Cold War, employed as a defence against the spread of communism. It disciplined newly independent Third World states towards inclusion into the capitalist world order by emphasising state-led industrialisation, investment and foreign aid (Hobsbawm 1994). Keynesianism constructed social inclusion, and thus exclusion, primarily in terms of national citizenship. Its provisions for the welfare state and full employment were dependent upon the capacity of the state to provide economic and social rights, which was not financially possible in newly emerging Third World states. In turn, those without civil and political rights in the communist world were wholly excluded from this discourse. Although appearing to be less concerned with the individual than either *laissez-faire* or neoliberalism due to its inclusion of organised labour and creation of social institutions such as the welfare state, Keynesianism must be placed in the context of the way in which the state had expanded especially in response to the Second World War. From this perspective, the era of Keynesianism saw the dismantling of wartime state control of the economy and a shift away from socialisation.

Neoliberalism has continued this last trend by promoting the expansion of the global economy, especially in terms of its emphasis on unimpeded global financial movements (Gowan 1999). It has driven the expansion of the market into many new areas of social life and nature, through what Harvey calls 'the commodification of everything' (2005:165), along with the retreat of the state from inefficient and wasteful national economic management (Corbridge 1992). With no competing global political-economic system it has taken the market to its furthest point in appearing inevitable and natural under the guise of 'globalization' (George 2000). Neoliberalism has emphasised the primacy of the individual, for example in the strengthening of individual civil and political rights and the curtailing of union powers, and at the same time held alternatives in check through measures such as promoting a strong state capable of meeting the challenge of organised resistance. In turn, global finance has circumvented national labour resistance through neoliberal policies which have allowed it freedom of movement outside of national capital controls. Neoliberalism has

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defined a specific and limited role for the state in establishing a stable and secure political-legal framework for the market as the basis for global order, and, as a result, limited democratic debate and the potential for political intervention in the economy (Harvey 2005). Neoliberalism is exclusionary with regards to civil and political rights, discussed below. As a discourse it applies only to those who are enabled to be productive units in the global economy, and thus excludes those living in spaces of ungoverned anarchy, those dependent upon informal economic processes, those outside the means of transport and communication and without specific forms of education, and non-insured life beyond economic and social entitlement (Duffield 2007). This surplus population is considered a threat to the circulation of capital, goods, data, skilled labour and other factors of production, and an obstacle to be overcome in the further expansion of the global economy.

10.1.3. Labour

The rule of capital has created an exclusionary relationship between capital and labour. In essence, the rule of capital has come to determine the global division of labour according to its productive demands (McMichael 2004). Through capital's dissolution of non-capitalist social relations, labour has been coerced into capitalist production and circulation, under the sway of the continual improvement of productive techniques along with the means of transport and communications in bringing goods to market (Marx 1973:497-503). In the workplace labour has become disciplined to ever-newer industrial processes and practices (1990:ch.15). In turn, this has resulted in the various specialisations of labour in transportation, communications, policing, the military and so forth, which would not have existed apart from the demands of capital for markets and political governance.

This has involved, in particular, two contradictory movements. On the one hand, all labour has been homogenised into the form of wage-labour (Marx 1990:ch.6). All other forms of labour organisation, for example varieties of serfdom, guild-manufacture or subsistence agriculture, have been progressively undermined by market relations. 'Freed' from prior bonds to the land or relations of personal dependence, such labour has been freed too from the social relations which ensured its survival and material reproduction, and thus flung into market relations to secure an existence. Having been dispossessed of every means of

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production and subsistence other their labour power alone, such peoples are compelled to offer it on the market for a wage, their only means of survival and material reproduction. This movement has excluded labour from all non-market existences (Bush 2007). On the other the labour force has been reorganised many times over according to labour aristocracies which have differentiated workers according to skill, education, pay, language, race, religion, gender, roles in the workplace, and various other factors (Hobsbawm 1994). Thus, once wage-labour has been established, a whole host of new exclusions emerge in the organisation of the division of labour according to the productive demands of capital. Outside this process, non-capitalist and non-industrial labour processes have been adapted and expanded within the global political economy, especially under imperialism and regional specialisation, expanding and reinforcing various non-capitalist patterns of exclusion.

In England, agrarian and early industrial capitalism directed the widespread dispossession of the population from the land and their being thrown into market relations (Marx 1990:pt.8). Men, women and children entered into the labour force for the first time as wage-labour, and disciplined towards industrial working practices through mechanisation and the introduction of large-scale factories. The growth of home and world markets led to the demand for labour in the construction of the means of transport and communications, along with new policing, military and administrative roles within state and empire. This quickly led to the creation of labour aristocracies within the workplace, and a vast division of labour in society according to the organisation of industry. Globally labour was reorganised towards regional specialisation through the expansion of the market mechanism and by imperial imposition.

In the post-1945 era labour was subordinated to the demands of large-scale industry in the form of Fordism and state-led industrialisation (McMichael 2004:pt.1). This meant both the adoption of new industrial processes and disciplines and the expansion of wage-labour in the newly independent Third World. In turn, whereas Fordist production took place within a high-wage, high-productivity regime of full employment and collective bargaining, and thus ushered in the expansion of consumerism, Third World industrialisation was both low-wage and low-productivity, creating a dichotomy between high-technology manufactures in the First World and primary production and low-technology manufactures in the Third. This led also to massive urbanisation and the creation

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of a new global rural/urban divide. The Bretton Woods institutions oversaw a system of national capital controls which locked this division of labour in place.

The period of globalization has witnessed the transformation of production towards a new small scale post-Fordist structures which emphasise economies of scope over economies of scale (Harvey 1990). Where this has taken place, labour has become differentiated according to education and skills, along with job security and flexible employment. In turn, the geographical organisation of production has been transformed towards global production and commodity chains, linking low-skill, low-wage and high-skill, high-wage labour in different places within the same overall production processes, leading to an increasingly cemented international division of labour (Cox 1996). This has been promoted also by the adoption of export-oriented-industrialisation after the model of the East Asian Tigers. The increasing dominance of global finance has expanded the role of risk and discipline in employment, particularly with regards to job security and social insurance, which we discuss below. Finally, this rapid expansion of formal economic processes and wage-labour has led to the identification of a vast array of informal economic processes in which waged and unwaged labour processes and production both for market and for subsistence are intertwined, revealing the widespread existence of exclusion from the 'formal' economy (Duffield 2001:ch.6).

10.1.4. Land

Land and nature have become increasingly commodified and brought into relations of private property within the global political economy. In the period of agrarian capitalism in England, common land was 'enclosed' and made private land which could be put to productive use. Industrial capitalism saw the massive transformation and subordination of nature towards use in the production process and for the means of transport (E.R. Wolf 1982). In the Keynesian period this was been extended globally through state-led industrialisation, such that every square mile on the planet, barring Antarctica and other areas of land considered unproductive or perhaps ungovernable, especially in sub-Saharan Africa, is today owned privately in some way. Under neoliberalism, biological life, its products and its characteristics have been increasingly commodified, particularly through the global reach of corporations and the TRIPs and TRIMs

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components of the WTO (McMichael 2004). In turn, common land and land owned outside formal market arrangements continues to be enclosed, especially in the global south (Akram-Lodhi 2007). The result has been that reliance upon common land or nature for survival and material reproduction has been slowly made illegal or simply impossible, and such peoples have been forcibly drawn into the global division of labour (Bush 2007). In this sense, enclosure has continued apace, and been expanded to include all nature and knowledges of nature. The ownership of land has become materially important only insofar as it can be employed privately as a factor of production, in bringing these factors to market, or in its transformation into money-wealth.

Although we have not touched upon it in our investigation, environmental degradation resulting from industrial processes and agricultural transformations has had a substantial impact on this process, especially in uprooting peoples from polluted lands they had formerly depended upon for their livelihoods (Harvey 2005:172-5).

10.1.5. Gender

The lives of women have been transformed wholesale by their entry into the workplace and later into civil society (Bakker 1994). Just as with labour in general, gender roles have been subordinated under wage-labour. Exclusion according to gender has taken place particularly in the way in which women have been employed in production processes in subordinate roles to men. As mechanised production became less dependent upon skills and physical strength during the Industrial Revolution, women and children were brought into factories in place of men because they demanded a lesser wage. In turn, gender has become an important exclusionary component of labour aristocracies, especially in how men have repeatedly employed this division to prevent women from taking roles other than unskilled factory work. This has only been broken in the era of globalization, when the demand for both skilled and unskilled labour has outstripped male supply globally.

The socially conceived dividing-line between household and civil society has been crucial as, at least until the period of globalization, working women who have attempted to enter civil society have existed on the boundary-line between the two (Meiksins Wood 1990). This has left women vulnerable because, whereas

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men have for the most part pursued their social existence within civil society, a sphere in which they are able to organise politically, women have until recently been excluded from this sphere of existence, especially in terms of political participation and unionisation, and as such have not been able to organise politically. Thus where women have entered the labour market they have done so for the most part without the rights and protections won by men through political struggle (German 1994). This has been a major cause of lower wages and reduced unionisation, along with state and corporate suppression of union rights in the global South where women have less capacity to resist than men.

Finally, orthodox political-economic discourses have themselves maintained gender as a mechanism of exclusion. Ricardo's definition of 'economic man', *homo oeconomicus*, has been carried through as a central pillar of orthodoxy, especially within neoliberalism. The central actor in the market is assumed to be genderless, but with the characteristics of a man. Such economic conceptions of civil society do not give space for social reproduction or the domestic sphere of the household, and as such take out of view the biological and social constraints of women within civil society. Thus, laws emphasising gender equality have attempted to bring women to the status economic man, but do so by disregarding social activities and biological differences outside civil society and the workplace (Foucault 2008:267-9).

10.1.6. Rights

The question of rights in terms of the relationship of individuals and groups to political authority pervades our whole discussion of social exclusion. Within the global political economy there has existed a recurring division between civil and political rights and economic and social rights. This division has been represented in orthodox discourses as the fundamental primacy of civil and political rights. As argued elsewhere (Kirkup & Evans 2009), this is because, on the one hand, 'negative' civil and political rights, which enable individual freedoms such as the ownership of private property, constitute the legal-political framework for the existence of the market and the pursuit of self-interest. On the other hand, 'positive' economic and social rights place a constraint upon the freedom of market actors. They can only ever be aspirations because their fulfilment must come at another's expense. As a result, civil and political rights alone have

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emerged as universal and inalienable rights. Economic and social rights, in contrast, have existed as no more than 'entitlement' won either in the marketplace or by political struggle. Thus, the two sets of rights have developed in an uneven pattern determined within the changing structure of the global political economy.

With regards to civil and political rights, this has been visible in how the construction of the global political economy has taken place in tandem with the extension of civil and political rights to new geographical spaces and more widely among social groups as a result of social struggle (Hobsbawm 1994). Early industrial England developed in the context of struggles over private property and political participation, and in this period attempts to extend rights which enabled market rule through imperialism and the imposition of global free trade. The post-1945 saw the construction of a capitalist world order within which newly independent Third World states would become integrated. Under globalization this has taken place in terms of the extension of property rights under institutions of global governance, especially the imposition of structural adjustment programmes, along with other moves such as the consolidation of the global human rights regime. Indeed in this period there has been a substantial intensification of property rights

Civil and political rights have been exclusionary in two ways. First, their enforcement, and thus the possibility of inclusion, is dependent upon the capacity of the state to uphold these rights and provide security for their expression. Thus, because of the unevenness of the international states-system, they exist unevenly within the global political economy, often not at all within spaces of ungoverned anarchy (Thomas 2000). In turn, particular groups such as unskilled migrants within the OECD exist with limited rights in comparison to those of national citizens (T. Evans 2005). Second, property rights, a central component of civil and political rights, are by definition exclusionary. The idea that one person owns something means equally that everyone else is excluded from ownership (Marx 1973:457-8). The only constraints upon private ownership are the economic conditions of the day and the political imperatives they engender (1959:616). The recent extension and intensification of property rights through the TRIPs and TRIMs components of the WTO into the field of intellectual property have been especially violent in excluding peoples from formerly common properties and knowledges, especially regarding biological and cultural life

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(McMichael 2004). In essence, this is the extension of enclosure into the domain of knowledge.

Furthermore, in the period of globalization contradictions between civil and political rights and market primacy have come to the fore, especially wherever these rights themselves become obstacles to the extension of the global economy (T. Evans 2005). In this sense neoliberal policy has limited legitimate democratic debate and political intervention to non-economic matters, reducing the capacity of politics to engage with the factors which influence the material lives of citizens (Cox 1997). This has been visible also in the policing of the anti-globalization movement in the wake of Seattle (Gill 2000).

Economic and social entitlements have also existed unevenly. Specifically, they have emerged and developed as a way in which institutions of political governance have attempted to maintain social order (Thomas 2000). In England the Poor Laws emerged to cope with the movement of people and the dispossession of agricultural workers from the means of subsistence on common land; rights to material provision were contested through urban protest. In the post-1945 period Keynesian spending on the welfare state and policies of full employment were a direct response to the threats of economic collapse, social disorder and the spread of communism; unions took up collective bargaining and strike action in their fight over welfare rights. In both cases, those outside welfare provision, due to impoverishment or the lack of national citizenship, stood excluded. Under neoliberal policies of structural adjustment, economic and social entitlement has been placed in the hands of the market, and especially global finance, increasing the role of risk and discipline in everyday life. Organised resistance has thus far been unable to mobilise on the scale of global finance and new forms of global production (Cox 1999). These have for the most part taken place outside the reach of locally or nationally organised resistance. New global expressions of resistance have remained spasmodic, limited, and extremely vulnerable to disciplinary policing.

10.2. Avenues of future research

Here we evaluate the present work and discuss both the ways in which its shortcomings need to be addressed and the fresh avenues it opens up for future research. First, because this work is one which has contrasted alternative

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perspectives of a single phenomenon, its fundamental difficulty is that of incommensurability, a concept discussed by Thomas Kuhn (1964). Incommensurability occurs when two conceptual frameworks hold such differing perspectives that they are beyond comparison. They may be looking at the same phenomenon, but the angle from which they look, what they are looking for, and the language and concepts they employ are so distinct that from either perspective the method and findings of the other appear wholly irrelevant. The problem for our work, then, is that the strength and validity of our argument does not depend upon the comparison of more supportive evidence to prove our case within a single framework of reference and knowledge according to which this evidence can be compared. Instead, our argument depends upon the acceptance that what we are investigating cannot be seen within the present orthodoxy, which is limited and partial, but requires an alternative framework with which to be brought to light so that it can be investigated. The success of our argument, therefore, depends upon whether we have presented a more suitable and explanatory worldview for the investigation of social exclusion within the global political economy. The role of evidence is relegated to revealing what cannot be seen from one perspective, and what can be seen from another. Future research is needed to establish the methodology and perspectives used here for their further development in the critique of orthodoxy.

Second, and following on from this, the evidence presented here is not exhaustive but rather selective, employed in an attempt to identify significant historical trends. It is therefore partial. Its importance is not in the events themselves but in the patterns they reveal. In particular, each mechanism of exclusion we have identified and drawn upon for evidence demands more detailed study. Furthermore, because our evidence is partial, significant exceptions to it can no doubt be brought into the argument. However, the questions surrounding such exceptions must necessarily concern their underlying causes and the historical trends they are a part of. As ours is a broad historical study, we must ask how much do these exceptions stand outside the trends identified here? Or outside expressions of resistance to these trends? Are they themselves part of unidentified political-economic trends which require an alternative perspective to be brought more fully to light? Or can they be explained by recourse to the schema of this work by a more detailed and local analysis?

Third, space has limited us to three historical periods, with very little overlap into the eras left uncharted. All periods of the global political economy are worthy

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of investigation, along with all instances of orthodox discourse, especially those which would link 19th century *laissez-faire* to post-1945 Keynesianism, such as in the national mercantilism of Friedrich List (Selwyn, *forthcoming*). This would entail a deeper study of resistances to the construction of a global political economy, for example in the protectionism of the 1930s, in the rise of fascism in Europe, or in the existence of the communist world, historical phenomena which came into existence as direct responses to the exclusionary nature of the global political economy at particular junctures in history.

Fourth, our study of orthodox discourse is problematic in that, on the surface, it would appear to have been presented as a singular, even monolithic, discourse. Yet any glance at a global newspaper such as *The Times* or the *Washington Post* reveals this stance as unsustainable due to the existence of many intricate variations and contestations among national governments, international institutions, NGOs, religious organisations, and so forth, along with the caricatures presented by movements of resistance. Thus, what has been attempted here was not a direct rendering of any one particular standpoint, but rather the orthodox truth-claims of the worldview which underpins them, which in effect gives birth to each of these variations, and which bestows to each a degree of legitimacy depending upon how much it leans upon its accepted premises. Fruitful avenues of research, therefore, would be to consider, first, the extent of variations in orthodoxy; second, the potential existence of multiple orthodoxies or competing sets of, or less-widely accepted, truth-claims among orthodox discourses; and third, the comparison of orthodox discourses with rival political-economic discourses which have been founded upon alternative truth-claims and competing worldviews.

Fifth, and in essence a summary of our prior points, the conclusions of this work suffer from a lack of variation; they too are recurring and singular. This has been a necessary consequence of the way we have approached our investigation, both in terms of its long time-span and global scale, which has demanded a broad historical approach, and a result of our conceptual framework which, just as with the perspective of liberal orthodoxy, has its particular bias, its particular way of seeing the world. Foucault's critique and Marx's historical materialism were drawn upon not in an open-ended endeavour but with a particular end in mind: bringing to light hidden patterns of social exclusion. Thus, we established six patterns of social exclusion in chapter four, and in doing so we have limited ourselves to finding those six. Other possible exclusions demand study also: particular

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domains of knowledge, the environment, communications and technology, Foucault's notions of governmentality and biopolitics, to name a few examples. This sets up the necessity of future research which is focussed on other temporal periods and spatial scales, especially more localised studies which can bring more to light, along with the study of new categories of social exclusion.

Finally, of immediate importance is the question of what this critique means in terms of resistance and alternatives. How can the role of capital and the way it is concealed by orthodox discourses be resisted in ways which empower formerly excluded groups? How could the contemporary global political economy be reformed politically? How can sustainable alternatives be constructed? These are questions which demand investigation so that the exclusionary power-relations brought to light in this critique do not continue unchallenged. Polanyi's notion of capitalism's 'double movement', Gramsci's discussions of hegemony and counter-hegemony, Cox's considerations of the possibilities within civil society, Foucault's conception of power and empowerment; these must be extended and combined in new ways to counter the production of social exclusion within the global political economy.

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