

NEO-LIBERALISM AND THE RESTORATION OF CLASS POWER

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President Bush repeatedly asserts that the US has conferred the precious gift of “freedom” on the Iraqi people. “Freedom,” he says, “is the Almighty's gift to every man and woman in this world” and “as the greatest power on earth we have an obligation to help the spread of freedom.” This official mantra (repeatedly advanced by the administration and the military) that the supreme achievement of the pre-emptive invasion of Iraq has been to render the country “free” is echoed throughout much of the media in the US and appears to be a persuasive argument for much of public opinion to continue to support the war even though the official reasons given for it (such as connections between Saddam and al-Quaeda, the existence of weapons of mass destruction and direct threats to US security) have been found wanting. Freedom, however, is a tricky word. As Mathew Arnold observed many years ago: “freedom is a very good horse to ride, but to ride somewhere.”¹ To what destination, then, are the Iraqi people expected to ride the horse of freedom so generously donated to them? The US answer to this question was spelled out on September 19, 2003, when Paul Bremer, head of the Coalition Provisional Authority, promulgated four orders that included:

“The full privatization of public enterprises, full ownership rights by foreign firms of Iraqi businesses, full repatriation of foreign profits, the Flat Tax (a regressive system of equal taxation of all incomes - both rich and poor - favored by the American Right), the opening of Iraq’s banks to foreign control, national treatment for foreign companies (which means, for example, that Iraq cannot give preferential treatment to local firms to do reconstruction work), and...the elimination of nearly all trade barriers.”²

The orders were to apply to all arenas of the economy, including public services, the media, manufacturing, services, transportation, finance, and construction. They also extend, it goes without saying, to the labor market. Only oil was exempt (presumably because of its special status and geopolitical significance as a weapon of distinctively US control). The orders were, as Naomi Klein points out, in violation of the Geneva and

Hague Conventions since an occupying power is mandated to guard the assets of an occupied country and has no right to sell them off.³ There is, furthermore, considerable resistance to the imposition of what the London *Economist* calls a “capitalist dream” upon Iraq. Even Iraq’s interim trade minister, a US appointed member of the Coalition Provisional Authority, attacked the forced imposition of “free market fundamentalism,” describing it as “a flawed logic that ignores history.”⁴ Almost certainly, as Klein also points out, the US resistance to direct elections in Iraq stems from its desire to work with appointed representatives who will be as pliant as possible in locking in these free-market reforms before direct democracy (which would almost certainly reject them) can be established in perhaps two years time. While Bremer’s rules might be judged illegal if imposed by an occupying power, they would likely be considered legal under international law if confirmed by an interim (even if unelected) government. The US now insists that the interim government will only have the power to confirm existing laws and to pass only those new laws acceptable to Washington. The struggle to gain electoral freedom and establish democracy in Iraq on Iraqi terms clearly dovetails with the struggle to protect Iraqi assets from foreign predators.⁵

THE NEO-LIBERAL TURN

What the US evidently seeks to impose by main force on Iraq is a full-fledged neo-liberal state apparatus whose fundamental mission is to facilitate conditions for profitable capital accumulation. The sorts of measures that Bremer outlined, according to neo-liberal theory, are both necessary and sufficient for the creation of wealth and therefore for the improved well-being of whole populations. The conflation of political freedom with freedom of the market and of trade has long been a cardinal feature of neo-liberal policy and it has dominated the US stance towards the rest of the world for many years. On the first anniversary of 9/11, for example, President Bush announced in an op-ed piece published in the *New York Times*, that “We will use our position of unparalleled strength and influence to build an atmosphere of international order and openness in which progress and liberty can flourish in many nations. A peaceful world of growing freedom serves American long-term interests, reflects enduring American ideals and

unites America's allies....We seek a just peace where repression, resentment and poverty are replaced with the hope of democracy, development, free markets and free trade," these last two having "proved their ability to lift whole societies out of poverty." Today, he concluded, "humanity holds in its hands the opportunity to offer freedom's triumph over all its age-old foes. The United States welcomes its responsibility to lead in this great mission." This same language appeared in the prologue to the National Defense Strategy Document published shortly thereafter.⁶ It is this freedom, interpreted as freedom of the market and of trade, that is to be imposed upon Iraq and the world.

It is useful to recall here, that the first great experiment with neo-liberal state formation was Chile after Pinochet's coup on the "little September 11th" of 1973 (almost thirty years to the day before Bremer's announcement of the regime to be installed in Iraq). The coup, against the democratically-elected and leftist social democratic government of Salvador Allende, was strongly backed by the CIA and supported by US Secretary of State Henry Kissinger. It violently repressed all the social movements and political organization of the left and dismantled all forms of popular organization (such as the community health centers in poorer neighborhoods). The labor market was "freed" from regulatory or institutional restraints (trade union power, for example). But by 1973 the policies of import substitution that had formerly dominated in Latin American attempts at economic regeneration (and which had succeeded to some degree in Brazil after the military coup of 1964) had fallen into disrepute. With the world economy in the midst of a serious recession, something new was plainly called for. A group of US economists known as "the Chicago boys," because of their attachment to the theories of Milton Friedman then teaching at the University of Chicago, were summoned to help reconstruct the Chilean economy. They did so along free-market lines, privatizing public assets, opening up natural resources to private exploitation and facilitating foreign direct investment and free trade. The right of foreign companies to repatriate profits from their Chilean operations was guaranteed. Export-led growth was favored over import substitution. The subsequent revival of the Chilean economy in terms of growth rates, capital accumulation, and high rates of return on foreign investments, provided evidence upon which the subsequent turn to more open neo-liberal policies in both Britain (under Thatcher) and the US (under Reagan) could be modeled. Not for the first time, a brutal

experiment carried out in the periphery became a model for the formulation of policies in the center (much as experimentation with the flat tax in Iraq is now proposed).⁷

The Chilean experiment demonstrated, however, that the benefits were not well-distributed. The country and its ruling elites along with foreign investors did well enough while the people in general fared badly. This has been a persistent enough effect of neo-liberal policies over time as to be regarded as structural to the whole project. Dumenil and Levy go so far as to argue that neoliberalism was from the very beginning a project to achieve the restoration of class power to the richest strata in the population. Commenting on how the top one percent of income earners in the US fared, they write:

Before World War II, these households received about 16 percent of total income. This percentage fell rapidly during the war and, in the 1960s, it had been reduced to 8 percent, a plateau which was maintained during three decades. In the mid 1980s, it soared suddenly and by the end of the century it reached 15 percent. Looking at total wealth, the trend is broadly identical....”⁸

Almost certainly, with the Bush administration’s tax cuts now taking effect, the concentration of wealth in the upper echelons of society is continuing a-pace. Dumenil and Levy also noted that “the structural crisis of the 1970s, with rates of interest hardly superior to inflation rates, low dividend payout by corporations, and depressed stock markets, further encroached on the income and wealth of the wealthiest” during those years. Not only were the 1970s characterized by a global crisis of stagflation, but this was the period when the power of the upper classes was most seriously threatened. Neo-liberalism arose, the argument goes, as a response to this threat.⁹

But substantiation of this thesis of restoration of class power requires that we identify a specific constellation of class forces assembled behind the turn to neo-liberal policies since in neither Britain nor the United States was it possible to resort to violence of the Chilean sort. It was necessary to construct consent. We must go back to the crucial decade of the 1970s to see how this was done.

The social democratic state in Europe and the Keynesian compromise that grounded the social compact between capital and labor in the US, had worked well enough during the high growth years of the 1950s and 1960s. Redistributive politics, controls over the free mobility of capital, public expenditures and welfare state building had gone hand in

hand with relatively high rates of capital accumulation and adequate profitability in most of the advanced capitalist countries. But by the end of the 1960s this began to break down, both internationally and within domestic economies. By 1973, even before the Arab-Israeli War and the OPEC oil embargo, the Bretton Woods system that had regulated international economic relations had dissolved. Signs of a serious crisis of capital accumulation were everywhere apparent, ushering in a global phase of stagflation, fiscal crises of various states (Britain had to be bailed out by the International Monetary Fund in 1975-6 and New York City went technically bankrupt in the same year, while retrenchment in state expenditures was almost everywhere in evidence). The Keynesian compromise had evidently collapsed as a viable way to manage capital accumulation consistent with social democratic politics.¹⁰

The left answer to this was to deepen state control and regulation of the economy (including, if necessary, curbing the aspirations of labor and popular movements through austerity measures and wage and price controls) without, however, ever challenging head on the powers of capital accumulation. This answer was advanced by socialist and communist parties in alliance in Europe (with hopes pinned on innovative experiments in governance and management of capital accumulation in places like “Red Bologna” or in the turn towards a more open market-socialism and ideas of “eurocommunism” in Italy and Spain). The left assembled considerable popular power behind that program, coming close to power in Italy and actually acquiring state power in France and Spain. Even in the United States, a Congress controlled by the Democratic Party legislated a huge wave of regulatory reform (signed into law by Richard Nixon, a Republican President) in the early 1970s governing environmental, labor, consumer and civil rights issues. But broadly the left failed to go beyond traditional social democratic solutions and these had by the mid-1970s proven inconsistent with the requirements of capital accumulation.¹¹ The effect was to polarize debate between social democratic forces on the one hand (who were often engaged in a pragmatic politics of curbing the aspirations of their own constituencies) and the interests of all those concerned with re-establishing more open conditions for active capital accumulation on the other.

Neo-liberalism as a potential antidote to threats to the capitalist social order and as a solution to capitalism's ills had long been lurking in the wings of public policy.¹² But it was only during the troubled years of the 1970s that it began to move center stage, particularly in the US and Britain, inspired by the example of Chilean reforms. During the Carter presidency, for example, deregulation of the economy emerged as one of the answers to the chronic state of stagflation that had prevailed in the US throughout the 1970s. But the consolidation of neo-liberalism as a new economic orthodoxy in the advanced capitalist world occurred in the United States and Britain in 1979. In October of that year, Paul Volcker, Chairman of the US Federal Reserve Bank, engineered a draconian shift in US monetary policy. The long-standing commitment in the US to the principles of the New Deal, which meant broadly Keynesian fiscal and monetary policies with full employment as the key objective, was abandoned in favor of a policy designed to quell inflation no matter what the consequences might be for employment or, for that matter, for the economies of countries (such as Mexico and Brazil) that were highly dependent upon economic conditions in the US. The real rate of interest, that had often been negative during the double-digit inflationary surge of the 1970s, was rendered positive by fiat of the Federal Reserve. This meant raising the nominal rate of interest overnight to close to 20 percent and thereby deliberately plunging the US, and much of the rest of the world, into recession and unemployment. This shift, it was argued, was the only way out of the grumbling crisis of stagflation that had characterized the US and much of the global economy throughout the 1970s.¹³

The Volcker shock, as it has since come to be known, could not be consolidated without parallel shifts in government policies in all other arenas. The clearest sign of this cognate political shift came with Margaret Thatcher's election in Britain in 1979. She accepted that the monetarist solution was essential to cure the stagflation that had characterized the British economy during the 1970s. In this she had the support of a whole cadre of neo-liberal theorists long ensconced in well-financed policy think tanks. But she also recognized that this meant nothing short of a revolution in fiscal and social policies. She immediately signaled a fierce determination to have done with the institutions and political ways of the social democratic state that had been consolidated in

Britain since 1945. This meant confronting trade union power, dismantling what many then agreed had become a bloated and inefficient apparatus of the welfare state, the privatization of public enterprises (including social housing) and creating a favorable business climate to induce a strong inflow of foreign investment (particularly from Japan).

What Pinochet did through coercive state violence was done by Thatcher through the organization of democratic consent. On this point, Gramsci's observation that consent and hegemony must be organized ahead of revolutionary action - and Thatcher was indeed a self-proclaimed revolutionary - is deeply relevant.¹⁴ Strong currents of thought, willingly propagated through a media that was more and more subservient to the interests of big capital, about individualism, freedom, liberty as opposed to trade union power and stifling bureaucratic ineptitude on the part of the state had become widespread in Britain during the bleak years of economic stagnation during the 1970s. A crisis of capitalism was interpreted as a crisis in failed systems of governance. And the fact that the Labor Government, under Callaghan, had agreed to the imposition of an austerity program (against the interests of its traditional supporters) mandated by the International Monetary Fund in 1976 in return for loans to cover the chronic state of indebtedness, helped pave the way for the idea that, as Thatcher had it, "there is no alternative" to neo-liberal solutions. The Thatcher revolution was, in this way, prepared by the organization of political consent particularly within the middle classes that bore her to electoral victory. Programmatically she held an electoral mandate to roll back union power. There is, she famously later declared, "no such thing as society, only individuals and," she subsequently corrected herself to add, "their families." All forms of social solidarity were to be dissolved in favor of individualism, private property, personal responsibility and family values. The ideological assault along those lines that flowed from Thatcher's rhetoric was relentless and broadly successful.¹⁵ We will take up the contradictions implied in this stance later.

The year after Thatcher's election, Ronald Reagan won the Presidency of the US. Reagan's advisors were convinced that Volcker's "medicine" for a sick and stagnant economy was right on target. Volcker was supported in and reappointed to his position as

Chair of the Federal Reserve. The Reagan Administration's task was to provide the requisite political backing through further deregulation, tax cuts, budget cuts and attacks upon trade union power. Reagan faced down PATCO, the air traffic controllers' union, in a lengthy and bitter strike. This signaled an all out assault on the powers of organized labor at the very moment when the Volcker-inspired recession was generating high levels of unemployment (ten percent or more). The effect on the condition of labor was dramatic - perhaps best captured by the fact that the Federal minimum wage that stood on a par with the poverty level in 1980 had fallen to 30 percent below that level by 1990. Reagan's appointments to positions of power on issues like environmental regulation, occupational safety and health, took the campaign against big government to ever-higher levels. The deregulation of everything from airlines and telecommunications to finance opened up new zones of untrammled market freedoms for powerful corporate interests. The market, depicted ideologically as the great means to foster competition and innovation, was in practice to be the great vehicle for the consolidation of monopoly corporate and multinational powers as the nexus of class rule. Tax cuts for the rich simultaneously began the momentous shift towards greater social inequality and the restoration of upper class power.

Thomas Edsall (a Baltimore Sun journalist who covered Washington affairs for many years) published a prescient account of the class forces behind all this in 1984:

“During the 1970s, business refined its ability to act as a class, submerging competitive instincts in favor of joint, cooperative action in the legislative arena. Rather than individual companies seeking only special favors....the dominant theme in the political strategy of business became a shared interest in the defeat of bills such as consumer protection and labor law reform, and in the enactment of favorable tax, regulatory and antitrust legislation.”¹⁶

In order to realize this goal, business needed a political class instrument and a popular base. They therefore actively sought to capture the Republican Party as their own instrument. The formation of powerful political action committees to procure, as the old adage had it, “the best government that money could buy” was an important step. Protected by an extraordinary Supreme Court decision of 1974, that legalized the

financial corruption of politics by asserting that the spending of money was protected as a form of free speech, the financial domination of both political parties by corporate and moneyed interests could be assured. The willingness of the Republican Party to become the representative of “its dominant class constituency” during this period contrasted with the “ideologically ambivalent” attitude of the Democrats which grew out of “the fact that its ties to various groups in society are diffuse, and none of these groups - women, blacks, labor, the elderly, Hispanics, urban political organizations - stands clearly larger than the others.” The dependency of Democrats, furthermore, on “big money” contributions rendered many of them highly vulnerable to direct influence from business interests.¹⁷ Domestic manufacturing, mining, forestry and agribusiness interests took the lead in this aspect of the class war that then unfolded.

The Republican Party needed, however, a solid electoral base if it was to colonize power effectively. It was around this time that Republicans sought an alliance with the “moral majority” of the Christian right. It appealed to the cultural nationalism of the white working classes and their besieged sense of moral righteousness (besieged because this class lived under conditions of chronic economic insecurity and felt excluded from many of the benefits that were being distributed through affirmative action and other state programs). This “moral majority” could be mobilized through coded if not blatant racism, homophobia and anti-feminism. Not for the first, nor, it is to be feared, for the last time in history has a social group voted against its material, economic and class interests for cultural, nationalist and religious reasons. From then on the unholy alliance between big business and conservative Christians steadily consolidated, eventually eradicating all liberal elements (significant and influential in the 1960s) from the Republican Party and turning it into the relatively homogeneous right wing electoral force of present times.

Reagan’s election began the long process of consolidating the political shift necessary to support the earlier monetarist shift towards neo-liberalism. His policies, Edsall noted at the time, centered on:

“an across the board drive to reduce the scope and content of federal regulation of industry, the environment, the workplace, health care, and the relationship between buyer and seller. The Reagan administration’s drive toward deregulation was

accomplished through sharp budget cuts reducing enforcement capabilities; through the appointment of anti-regulatory, industry-oriented agency personnel; and finally through the empowering of the Office of Management and Budget with unprecedented authority to delay major regulations, to force major revisions in regulatory proposals, and through prolonged cost-benefit analyses, to effectively kill a wide range of regulatory initiatives.’’¹⁸

There was, however, one other concomitant shift that also impelled the movement towards neo-liberal solutions, but this time at the global level, during the 1970s. The OPEC oil price hike that came with the oil embargo of 1973, placed vast amounts of financial power at the disposal of the oil producing states such as Saudi Arabia, Kuwait, and Abu Dhabi. We now know from British intelligence reports that the US was actively preparing to invade these countries in 1973 in order to restore the flow of oil and bring down oil prices. We also know that the Saudis agreed at that time, presumably under military pressure if not open threat from the US, to recycle all of their petrodollars through the New York investment banks.¹⁹ The latter suddenly found themselves in command of massive funds for which they needed to find profitable outlets. The options within the US, given the depressed economic conditions and low rates of return in the mid-1970s, were not good. More profitable opportunities had to be sought out abroad. But this required open entry and reasonably secure conditions for US controlled finance to operate in and across foreign territories. The New York investment banks looked to the US imperial tradition both to prize open new investment opportunities and to protect their foreign operations.

The US imperial tradition had been long in the making and to great degree defined itself against the imperial traditions of Britain, France, Holland, and other European powers.²⁰ While the US had toyed with colonial conquest at the end of the nineteenth century it evolved a more open system of imperialism without colonies during the twentieth century. The paradigm case was worked out in Nicaragua in the 1920s and 1930s, when US marines were deployed to protect US interests but found themselves embroiled in a lengthy and difficult guerilla insurgency led by Sandino. The answer was to find a local strongman - in this case Somoza - and to provide economic and military assistance to him and his family and immediate allies so that they could repress or buy off

opposition and accumulate considerable wealth and power for themselves. In return they would always support and if necessary promote US interests both in the country and in the region (in this case Central America) as a whole. This was the model that was deployed after World War II during the phase of global decolonization imposed upon the European powers at US insistence. For example, the CIA engineered the coup that overthrew the democratically elected Mossadeq government in Iran in 1953 and installed the Shah of Iran who gave the oil contract to US companies (and did not return the assets to the British companies that Mossadeq had nationalized). The Shah also became one of the key guardians of US interests in the Middle Eastern oil region. In the postwar period, much of the non-communist world was opened up to US domination by tactics of this sort. But this often entailed an anti-democratic (and even more emphatically anti-populist and anti-socialist/communist) strategy on the part of the US. This had the paradoxical effect of putting the US more and more in alliance with repressive military dictatorships and authoritarian regimes in the developing world (most spectacularly, of course, throughout Latin America). US interests consequently became more rather than less vulnerable in the struggle against international communism. Backing ever more repressive regimes was always in danger of proving counter-productive. While the consent of ruling elites could be purchased easily enough, the necessity of coercion to counter populist or social democratic movements associated the US with a long history of largely covert violence against popular movements.

It was in this context, that the surplus funds being recycled through the New York investment banks were dispersed throughout the world. Hitherto, most of the US investment that flowed to the developing world during the postwar period was of the direct sort, mainly concerned with the exploitation of raw material resources (oil, minerals, agricultural products) or the cultivation of specific markets (telecommunications, etc.). The New York investment banks had always been active internationally but after 1973 they became even more so though in ways that were less focused on direct investment. This required the liberalization of international credit and financial markets and the US began actively to promote and support this strategy almost immediately after the Volcker shock. The investment banks initially focused on direct lending to foreign governments. Hungry for credit, developing countries were, in effect,

lured into the debt/credit trap and the investment banks (backed by US imperial power) were in a position to demand more favorable rates of return than could be had domestically.²¹ Since the loans were designated in US dollars, any modest let alone precipitous rise in US interest rates could easily push vulnerable countries into default. The New York investment banks would then be heavily exposed to losses. The first major test case of this came in the wake of the Volcker shock which drove Mexico close to default in 1982-4. The Reagan administration, which had seriously thought of withdrawing support for the International Monetary Fund in its first year in office, found a way to put together the powers of the US Treasury and the International Monetary Fund to resolve the difficulty by rolling over the debt in return for structural reforms. This required, of course, that the IMF shift from a Keynesian to a monetarist theoretical frame of reference (and this was quickly accomplished making the IMF a global center of influence for the new Monetarist orthodoxy in economic theory). In return for debt re-scheduling, Mexico was required to implement institutional reforms, such as cuts in welfare expenditures, relaxed labor laws and privatization, a procedure that came to be known as “structural adjustment.” Mexico was thereby partially pushed into a growing column of neo-liberal state apparatuses and from then on the IMF became a key tool in the promotion and in many instances forced imposition of neo-liberal policies throughout the world.²²

What the Mexico case demonstrated was one key difference between liberalism and neo-liberalism: under the former lenders take the losses that arise from bad investment decisions while under the latter the borrowers are forced by state and international powers to take on board the cost of debt repayment no matter what the consequences for the livelihood and well-being of the local population. If this required the surrender of assets to foreign companies at fire-sale prices, then so be it. With these innovations in financial markets at the global level, the systemic form of neo-liberalism was essentially rendered complete. As Dumenil and Levy show, the effect was to permit the upper classes in the US in particular to pump very high rates of return out of the rest of the world.²³

The restoration of class power in the US also rested upon a certain reconfiguration of how class power was itself constituted. The separation between ownership and

management (or between money capital earning dividends and interest and production/manufacturing capital looking to gain profit of enterprise out of the organization of production) had at various times produced conflicts between financiers and producers within the capitalist classes. In Britain, for example, government policy had long catered primarily to the requirements of the financiers in the City of London often to the detriment of the manufacturing interest and in the 1960s conflicts in the US between financiers and manufacturers had often surfaced. During the 1970s much of this conflict disappeared. The large corporations became more and more financial in their orientation even when, as in the automobile sector, they were engaging in production. The interests of owners and managers were fused by paying the latter in stock options. Stock values rather than production became the guiding light of economic activity and, as later became apparent with the collapse of companies like Enron, the speculative temptations that resulted could become overwhelming. The general effect was that financial interests (the power of the accountants rather than the engineers) gained the upper hand within the ruling classes and the ruling elites. Neo-liberalism meant, in short, the financialization of everything and the relocation of the power center of capital accumulation to owners and their financial institutions at the expense of other factions of capital. For this reason, the support of financial institutions and the integrity of the financial system became the central concern of the collectivity of neo-liberal states (such as the group known as the G7) that increasingly dominated global politics.

THE NEO-LIBERAL STATE VIEWED AS AN IDEAL TYPE

Consider the neo-liberal state as an ideal type. While there are well-known dangers of setting up an argument this way, it has the advantage of clarifying the contrasts to the social democratic state that preceded it while allowing a preliminary exploration of the question as to whether or not the neo-conservative state is a radical departure or a mere continuation of the neo-liberal state by other means.

The fundamental mission of the neo-liberal state is, at its base, to create a “good business climate” and therefore to optimize conditions for capital accumulation no matter what the consequences for employment or social well-being. This contrasts with the

social democratic state that is committed to full employment and the optimization of the well-being of all of its citizens subject to the condition of maintaining adequate and stable rates of capital accumulation.

The neo-liberal state looks to further the cause of and to facilitate and stimulate (by tax breaks and other concessions as well as infrastructural provision at state expense if necessary) all business interests, arguing that this will foster growth and innovation and that this is the only way to eradicate poverty and to deliver, in the long run, higher living standards to the mass of the population.²⁴ The neo-liberal state is particularly assiduous in seeking the privatization of assets as a means to open up fresh fields for capital accumulation. Sectors formerly run or regulated by the state (transportation, telecommunications, oil and other natural resources, utilities, social housing, education) are turned over to the private sphere or deregulated. The free mobility of capital between sectors and regions is regarded as crucial to reviving profit rates and all barriers to that free movement (such as planning controls) have to be removed except in those areas crucial to “the national interest” (however that may be conveniently defined). The watchword of the neo-liberal state is, therefore, “flexibility” (in labor markets and in the deployment of investment capital). It trumpets the virtues of competition while actually opening the market to centralized capital and monopoly power.

Internally, the neo-liberal state is hostile to (and in some instances overtly repressive of) all forms of social solidarity (such as the trade unions or other social movements that acquired considerable power in the social democratic state) that put restraints on capital accumulation. It withdraws from welfare provision and diminishes its role as far as possible in the arenas of health care, public education and social services that had been so central to the operations of the social democratic state. The social safety net is reduced to a bare minimum. This does not mean the elimination of all forms of regulatory activity or government intervention. Bureaucratic rules to ensure “accountability” and the “cost effectiveness” of public sectors that cannot be privatized flourish (Margaret Thatcher, for example, sought and achieved strong regulatory control over universities in Britain). Public-private partnerships are favored in which the public sector bears all of the risk and the corporate sector reaps all of the profit. Business interests get to write legislation and to determine public policies in such a way as to

advantage themselves. If necessary the state will resort to coercive legislation and policing tactics (anti-picketing rules, for example) to disperse or repress collective forms of opposition. Forms of surveillance and policing multiply (in the US incarceration became a key state strategy to deal with problems arising among discarded workers and marginalized populations).

Externally, neo-liberal states seek the reduction of barriers to movement of capital across borders and the opening of markets (for both commodities and money capital) to global forces of capital accumulation, sometimes competitive but more often monopolistic (though always with the opt-out provision to refuse anything “against the national interest”). The powers of international competition and the ideology of globalization are used to discipline internal opposition at the same time as new terrains for highly profitable and in some instances even neo-colonial capitalistic activity are opened up abroad. In this sphere too, large corporate capitalist interests typically collaborate with government power in policy making as well as in the creation of new international institutional arrangements (such as the WTO or the IMF and the Bank of International Settlements).

The neo-liberal state is particularly solicitous of financial institutions. It seeks not only to facilitate their spreading influence but also to guarantee the integrity and solvency of the financial system at no matter what cost. State power is used to bail out or avert financial failures (such as the US savings and loans crisis of 1987-8 and the three trillion dollar collapse of the hedge fund Long Term Capital Management in 1997-8). Internationally it operates through institutions such as the IMF to shelter investment banks from the threat of default on debts and in effect covers, to the best of its ability, exposures of financial interests to risk and uncertainty in international markets. This connectivity of the neo-liberal state to the protection of financial interests both promotes and reflects the consolidation of bourgeois class power around processes of financialization. In the event of a conflict between the integrity of the financial system and the well-being of a population, the neo-liberal state will choose the former.

Finally, the neo-liberal state is profoundly anti-democratic, even as it frequently seeks to disguise this fact. Governance by elites is favored and a strong preference for government by executive order and by judicial decision arises at the expense of the

former centrality of democratic and parliamentary decision-making. What remains of representative democracy is overwhelmed if not, as in the US, totally though legally corrupted by money power. Strong institutions are created, such as central banks (like the Federal Reserve in the US) and quasi-governmental institutions internally and the IMF and the WTO on the international stage, that are entirely outside of democratic influence, auditing, accountability and control. In the neo-liberal view, mass democracy is equated with “mob rule” and this typically produces all of the barriers to capital accumulation that so threatened the power of the upper classes in the 1970s. The preferred form of governance is that of the “public-private partnership” in which state and key business interests collaborate closely together to coordinate their activities around the aim of enhancing capital accumulation. The result is that the regulated get to write the rules of regulation while “public” decision-making becomes ever more opaque.

The neo-liberal state emphasizes the importance of personal and individual freedom, liberty and responsibility, particularly in the market place. Social success or failure is therefore interpreted in terms of personal entrepreneurial virtues or failings rather than attributable to any systemic properties (such as the class exclusions typical of capitalism). Opposition within the rules of the neo-liberal state is typically confined to questions of individual human rights and “rights discourses” of all kinds have, as a result, blossomed since 1980 or so as a primary site of “radical” and oppositional politics. Solutions and remedies to problems have to be sought by individuals (and, recall, corporations are legally defined as individuals) through the courts. Since access to the latter is nominally egalitarian but in practice extremely expensive (be it an individual suing over negligent practices or a country suing the US for violation of WTO rules - a procedure that can cost up to a million dollars which is equivalent to the annual budget of some small impoverished countries) the outcomes are strongly biased towards those with money power. Class bias in decision making within the judiciary is, in any case, pervasive if not assured. It should not be surprising that the primary collective means of action under neo-liberalism are then defined and articulated through non-elected (and in many instances elite-led) advocacy groups for various kinds of rights. NGOs have grown and proliferated under neo-liberalism, giving rise to the illusion that opposition mobilized

outside of the state apparatus and within some separate entity called “civil society” is the powerhouse of oppositional politics and social transformation.

By this account we clearly see that neo-liberalism has not made the state or particular institutions of the state (such as the courts) irrelevant, as many commentators on both the right and the left have argued in recent years. There has, however, been a radical reconfiguration of state institutions and practices (particularly with respect to the balance between coercion and consent, the balance between the powers of capital and of popular movements, and the balance between executive and judicial power on the one hand and parliamentary democratic power on the other).

This “ideal-typical” account is unduly functionalist. It is important, therefore, to round out the picture through consideration of the fundamental structural contradictions within neo-liberalism. Authoritarianism (embedded in dominant class relations whose reproduction is fundamental to the social order) sits uneasily with ideals of individual freedoms. While it may be crucial to preserve the integrity of the financial system the irresponsible and self-aggrandizing individualism of operators within the financial system produce speculative volatility and chronic instability. While the virtues of competition are placed up front the reality is the increasing consolidation of monopoly power within a few centralized multinational corporations. At the popular level, however, the drive towards freedom of the individual person can all too easily run amok and produce social incoherence. The need to perpetuate dominant power relations necessarily creates, therefore, relations of oppression that thwart the drive towards individualized freedom. In the international arena the competitive volatility of neo-liberalism threatens the stability and status of hegemonic power. A hegemonic power, such as the US, may then be provoked into repressive measures and actions designed to protect the asymmetries of economic relations that preserve its hegemony. To all of these contradictions we must then add the potentiality for a burgeoning disparity between the declared public aims of neo-liberalism - the well-being of all - and its actual consequences - the restoration of class power.

We will take up these contradictory elements later. But, clearly, neo-liberalism must be seen as an unstable and evolving regime of accumulation rather than as a fixed and

harmoniously functional configuration of political economic power. This paves the way for looking at neo-conservatism as a potential response to its inherent contradictions.

IMPLANTATIONS, DIFFUSIONS AND EVOLUTIONS

Consider, then, the ways in which neo-liberal politics and policies actually became embedded within the historical-geography of global capitalism after the mid-1970s. Clearly, the UK and the US led the way. But in neither Britain nor the US was the turn unproblematic. In Britain neo-liberal political reforms were fought over during a long decade of class confrontation and struggle, with the prolonged and bitter miners' strike of 1984-5 a central motif. While Thatcher could successfully privatize social housing and the public utilities, core public services such as the national health care system and public education proved immune to anything other than tinkering at the edges. In the US the transformation during the Reagan years was less conflictual. The "Keynesian compromise" of the 1960s had never got close to the achievements of social democratic states in Europe and the opposition to neo-liberalism was less combative. Reagan was also heavily preoccupied with the cold war and launched an arms race that entailed a certain kind of deficit-funded military Keynesianism of specific benefit to his electoral majority in the South and West. The rising Federal deficits provided a convenient excuse to gut social programs.

In spite of all the rhetoric about curing sick economies, neither Britain nor the US achieved high levels of economic performance in the 1980s, suggesting that neo-liberalism might well not be the answer to the capitalists' prayers. On the other hand, the collapse of the French socialist/communist attempt to deepen state control (by nationalization of banks) and to foster growth through conquest of the internal market meant the erasure of any left alternative after the mid-1980s. So where was an adequate alternative?

The 1980s in fact belonged to Japan, the East Asian "tiger" economies and West Germany as powerhouses of the global economy. The fact that these proved very successful in spite of radically different institutional arrangements makes it difficult to argue for some simple turn to (let alone imposition of) neo-liberalism on the world stage

as an obvious economic palliative. To be sure, in both Japan and West Germany, the central banks generally followed a monetarist line (the West German Bundesbank was particularly assiduous in combating inflation). But in West Germany the unions remained very strong and wage levels relatively high. One of the effects was to stimulate a high rate of technological innovation and this kept West Germany well ahead of the field in international competition. Export-led growth could power the country forward as a global leader. In Japan, independent unions were weak or non-existent, but state investment in technological and organizational change and the tight relationship between corporations and financial institutions (an arrangement that also proved felicitous in West Germany) generated an astonishing export-led growth performance, very much at the expense of other capitalist economies such as the UK and the US. Such growth as there was in the 1980s (and the aggregate rate of growth in the world was lower even than that of the troubled 1970s) did not depend, therefore, on neo-liberalism. By the end of the decade those countries which had taken the stronger neo-liberal path still seemed to be in economic difficulty. It was hard not to conclude that the West German and Japanese “regimes” of accumulation were deserving of emulation. Many European states therefore resisted neo-liberal reforms and increasingly found ways to preserve much of their social democratic heritage while moving, in some cases fairly successfully, towards the West German model.²⁵ In Asia, the Japanese model implanted under authoritarian systems of governance (one of the hidden features of neo-liberalism more generally) in South Korea, Taiwan and Singapore also proved viable and consistent with reasonable equality of distribution. But in one respect the West German and the Japanese models were not successful: and this was from the standpoint of the restoration of class power. The rapid increases in social inequality to be found in the UK and the US during the 1980s were held in check elsewhere. If the project was to restore class power to the top elites, then neo-liberalism was clearly the answer. The question therefore arose of how to accomplish this on the world stage when neo-liberalism was failing to stimulate real growth.

In this regard the accounts of Dumenil and Levy supplemented by those of Brenner Gowan and Pollin provide much of the necessary evidence.²⁶ From these I distill three distinctive components. First, the turn to financialization that had begun in the 1970s

accelerated during the 1990s. Foreign direct investment and portfolio investment rose rapidly throughout the capitalist world. Financial markets experienced a powerful wave of innovation and became far more important instruments of coordination. This undermined the close tie of exclusivity between corporations and the banks that had served the West Germans and the Japanese so well during the 1980s. The Japanese economy went into a tail spin (led by a collapse in land and property markets) and the banking sector was found to be in a parlous state. The hasty re-unification of Germany created stresses and the technological advantage that the Germans had earlier commanded dissipated, making it necessary to challenge more deeply the social democratic tradition there. German resistance remained strong and as late as 2004, residual battles were still being fought over attempts to eliminate the social democratic achievements in realms such as state pensions and free higher education. Secondly, the Wall Street/IMF/ Treasury complex that came to dominate economic policy in the Clinton years was not only able to persuade, cajole and (thanks to structural adjustment programs) to coerce developing countries into a neo-liberal path. The US also used the carrot of preferential access to the huge US consumer market to persuade many countries to reform their economies along neo-liberal lines, most particularly in opening their capital markets to the penetration of US finance capital. These policies produced a rapid economic expansion in the US in the 1990s. The US looked as if it had the answer and that its policies were worthy of emulation, even if the full employment achieved entailed employment at relatively low rates of pay (the mass of the population actually experienced very little improvement if not a net loss in well-being during these years as Pollin shows²⁷) in its economic well-being. Flexibility in labor markets began to pay off for the US and put competitive pressures on the more rigid systems that prevailed in Europe and Japan. The real secret of US success, however, was that it was now able to pump high rates of return into the country from its operations (both direct and portfolio investments) in the rest of the world. It was this flow of tribute from the rest of the world that founded much of the affluence achieved in the 1990s. Thirdly, the global diffusion of the new monetarist economic orthodoxy also exerted a powerful ideological role. As early as 1982, Keynesian economics had been eradicated from the corridors of the IMF and the World Bank and by the end of the decade most economics departments in the US

research universities - and these helped train most of the world's economists - had fallen in line with broadly monetarist arguments.

All of these strands came together in the fierce ideological offensive that produced the so-called "Washington Consensus" of the mid 1990s.²⁸ The effect was to define the US and UK models of neo-liberalism as the answer to global problems and thereby put considerable pressure even on Japan and Europe (to say nothing of the rest of the world) to take the neo-liberal road. Ironically, it was Clinton and then Blair who, from the center-left, did the most to consolidate the role of neo-liberalism both at home and internationally. The formation of the WTO was the high point of institutional reform on the world stage. Programmatically, the WTO set neo-liberal standards and rules for interaction in the global economy. Its primary objective, however, was to open up as much of the world as possible to unhindered capital flow (though always with the caveat clause of protection of key "national interests"), for this was the foundation of the capacity of the US financial power as well as that of Europe and Japan, to exact tribute from the rest of the world.

This narrative sketch of the uneven geographical development of neo-liberalism suggests that its implantation was as much an outcome of diversification, innovation and competition (sometimes of the monopolistic sort) between national, regional and in some instances even metropolitan models of governance and economic development, rather than the imposition of some model orthodoxy by some hegemonic power, such as the US. That this was the case can best be illustrated by a brief examination of the strange case of China.

THE STRANGE CASE OF CHINA

In December 1978, faced with the dual difficulties of political uncertainty in the wake of Mao's death in and several years of economic stagnation, the Chinese leadership under Deng Xiaoping announced a program of economic reform. This coincided - and it is very hard to consider it as anything other than a conjunctural accident of world-historical significance - with the turn to neo-liberal solutions in Britain and the United States. The outcome has been a particular kind of neo-liberalism interdigitated with

authoritarian centralized control. But for much of East and SouthEast Asia - in South Korea, Taiwan and Singapore most noticeably - this connection between dictatorial rule and neo-liberal economics had already been well-established. As the formative case of Chile had early on demonstrated, dictatorship and neo-liberalism were in no way incompatible with each other.

While egalitarianism as a long-term goal for China was not abandoned, Deng argued that individual and local initiative had to be unleashed in order to increase productivity and spark economic growth. The corollary, that certain levels of inequality would inevitably arise, was well understood as something that would need to be tolerated. Under the slogan of *xiaokang* - the concept of an ideal society that provides well for all its citizens - Deng focussed on "four modernizations" (in agriculture, industry, education, and science and defense). The reforms strove to bring market forces to bear internally within the Chinese economy. The idea was to stimulate competition between state-owned firms and thereby spark, it was hoped, innovation and growth. Market pricing was introduced but this was probably far less significant than the rapid devolution of political-economic power to the regions and to the localities. To supplement this effort, China was also to be opened up, albeit in a very limited way and under strict State supervision, to foreign trade and foreign investment, thus ending China's isolation from the world market. One aim of this opening to the outside was to procure technology transfers. The other was to gain enough foreign reserves to buy in the necessary means to support a stronger internal dynamic of economic growth.²⁹

China's extraordinary subsequent economic evolution would not have taken the path and registered the achievements it did, had not the turn towards neo-liberal policies on the world stage opened up a space for China's tumultuous entry and incorporation into the world market. China's emergence as a global economic power must in part be considered, therefore, as an unintended consequence of the neo-liberal turn in the advanced capitalist world.

To put it this way in no way diminishes the significance of the tortuous path of the internal reform movement within China itself. For what the Chinese had to learn, among many other things, was that the market can do very little to transform an economy

without a parallel shift in class relations, private property and all the other institutional arrangements that typically found a thriving capitalist economy. The evolution along this path was both slow and frequently marked by tensions and crises. It became clear during the 1980s, for example, that most of China's phenomenal growth rate was being powered outside of the centralized state sector rather than, as the Chinese had hoped, through a bureaucratically organized state sector rendered more productive and competitive by the market reforms and a more flexible approach to market pricing mechanisms. This was true even though the State Owned Enterprises were much favored (partly through regulatory and political controls but also by differential access to state regulated credit) over the numerous local township and village enterprises that arose out of local initiatives as well as over indigenous private capital. But if the dynamo of growth lay in the local or private rather than in the central state sector, then sustaining growth demanded and eventually required further decentralization and privatization. The parallel political demand for liberalization that culminated in the spectacular repression of the student movement in Tiananmen Square in 1989 signaled a tremendous tension in the political realm that paralleled the economic pressure towards further liberalization.

The response to the events of 1989 was to initiate yet another wave of economic reforms, several of which moved China closer to neo-liberal orthodoxy. Hui summarizes these as follows:

“monetary policy became a prime means of control; there was a significant readjustment in the foreign currency exchange rate, moving towards a unified rate; exports and foreign trade came to be managed by mechanisms of competition and assumption of responsibility for profits or losses; the ‘dual track’ pricing system was reduced in scope; the Shanghai Pudong development zone was fully opened and the various regional development zones were all put on track.”³⁰

The first wave of foreign direct investment into China met, however, with very mixed results. It was initially channeled into four special economic zones in southern coastal regions (where proximity to Hong Kong was deemed to be helpful). These zones “had the initial objective of producing goods for export to earn foreign exchange. They

also acted as social and economic laboratories where foreign technologies and managerial skills could be observed. They offered a range of inducements to foreign investors, including tax holidays, early remittances of profits and better infrastructure facilities.” Subsequently the Chinese government designated several “open coastal cities” as well “open economic regions” for foreign investment of any type. But initial attempts by foreign firms to colonize the internal China market in areas like automobiles and manufactured goods did not fare at all well. Ford's joint venture barely survived and General Motors failed in the early 1990s. The only sectors where clear successes were recorded in the early years were in those industries oriented to exports of goods with high labor content. More than two thirds of the foreign direct investment that came in during the early 1990s (and an even greater percentage that survived) was organized by the overseas Chinese (particularly operating out of Hong Kong but also from Taiwan). The weak legal protections for capitalist enterprises put a premium on informal local relations and trust networks that the overseas Chinese were in a privileged position to exploit.³¹

The massive bankruptcies of the village and township enterprises in the manufacturing sector in 1997-8, spilling over into many of the state-owned enterprises in the main urban centers, proved a turning point. Pricing mechanisms and competition then took over from the devolution of power from the central state to regions, export zones and localities as the core process impelling the restructuring of the economy. The effect was to severely damage if not destroy much of the state-organized sector and create a vast wave of unemployment. Reports of considerable labor unrest abounded and the Chinese Government was faced with the problem of absorbing vast labor surpluses if it was to survive. Since 1998, the Chinese have sought to confront this problem through debt-financed investments in huge mega-projects to transform physical infrastructures. They are proposing a far more ambitious project (costing at least \$60 billion) than the already huge Three Gorges Dam to divert water from the Yangtze to the Yellow River. New subway systems and highways are being built in major cities, 8,500 miles of new railroads are proposed to integrate the interior to the economically dynamic coastal zone, including a high-speed link between Shanghai and Beijing and a link into Tibet. Urban infrastructures are everywhere being upgraded. The Olympic Games is prompting heavy

investment in Beijing. This effort is far larger *in toto* than that which the United States undertook during the 1950s and 1960s in constructing the interstate highway system and has the potential to absorb surpluses of capital for several years to come. It is, however, deficit financed (in classic Keynesian style) and that entails high risks since if the investments do not return their value to the accumulation process in due course, then a fiscal crisis of the state will quickly engulf China with serious consequences for economic development and social stability.³²

But the crisis of 1997-8 also opened the way for private (particularly foreign) capital to take over bankrupt state enterprises without taking on any of their social obligations (such as pension and welfare rights). The door now became wide open for foreign capital, particularly from the rest of East and South East Asia but also from the US and Europe, to restructure much of the Chinese manufacturing sector at will under conditions of massive labor surpluses (nearly 50 million workers laid off from the state sector during the 1990s and a growing mass of 150 million unemployed rural workers to draw upon) and easy state-backed credit. By 2002, over 40 percent of China's GDP was accounted for by foreign direct investment. China had by then become the largest recipient of foreign direct investment in the developing world (and was widely expected to assume second place in the world for FDI after the US as early as 2004).³³ Multinationals interested in the China market were now in a position to exploit it profitably. General Motors, for example, that had lost on its failed venture in the early 1990s re-entered the market at the end of the decade and was reporting far higher profits on its Chinese venture by 2003 compared with its domestic US operations. Foreign investors, though still technically at a disadvantage in relation to by then uncompetitive state enterprises, were, according to many reports, actually advantaged relative to the indigenous private sector that still suffered from significant exclusions and the hidden costs of corruption within the state and state-dominated banking apparatus. This contributed to the dominant role of foreign (including overseas Chinese) investment in manufacturing relative to indigenous capital.

But the legal institutional basis of this giant movement remained uncertain. Informal land and property markets had arisen particularly in peripheral urban areas. This

was accompanied by powerful waves of primitive accumulation. Commune leaders, for example, frequently assumed de facto property rights to communal land and assets in negotiations with foreign investors and these rights were later confirmed as belonging to them as individuals, in effect enclosing the commons to the benefit of the few and to the detriment of the mass of the population. In the confusion of transition, writes Hui, “a significant amount of national property ‘legally’ and illegally was transferred to the personal economic advantage of a small minority.”³⁴ Speculation in land and property markets, particularly in urban areas, became rife even in the absence of clear systems of property rights. In 2004, however, the rights of private property were formally enshrined in the Chinese constitution, signaling a move towards the confirmation of informal institutional arrangements for indigenous entrepreneurs more typical of a capitalist social order. The admission of business entrepreneurs into the communist party set up the possibility for the emergence of some kind of “public-private” governance system that, as we have shown, is characteristic of neo-liberal states.³⁵

China has, in short, been experiencing a radical process of bourgeois and capitalist-class formation (rather than a restoration of pre-existing class power as in the US). Social inequality had never eradicated structural inequalities in the Chinese economy of course. The differentiation between town and country was even written into law. But under conditions of reform, writes Hui, “this structural inequality quickly transformed itself into disparities in income among different classes, social strata, and regions, leading rapidly to social polarization.”³⁶ China as also has evolved (rather as happened in the Reagan era in the U.S.) a very distinctive (and almost certainly unstable) mix of Keynesian deficit-financing of infrastructural projects under state direction and a more free-wheeling neo-liberalism of privatization and consolidation of class power under authoritarian rule. The pressures and opportunities that came with China opening up to foreign trade, capital inflows and foreign influences undoubtedly played a critical role. And China's accession to the World Trade Organization in 2001 in principal binds it, after a period of transition, to abide by neo-liberal rules on the world market. But the power of the state and of the communist party (and their ability to engage with authoritarian practices at will) as well as the peculiar conditions of the transition process make for some very distinctive

features to the Chinese case. It remains to be seen if the Chinese configuration will in turn exercise strong influences on the general path of capitalist development by its sheer competitive power on the world stage. The explicit authoritarianism of the Chinese instance is particularly troubling in view of the more covert anti-democratic tendencies implicit in neo-liberalism.³⁷ It suggests that the turn towards neo-conservatism, not only in the US but also in some European countries (Italy stands out), may be a deepening of the antidemocratic tendencies within neo-liberalism rather than a radical departure. And China's competitive weight may add momentum to this trend towards authoritarianism.

However, China is not alone as a potential competitor on the global stage, for the class transformations occurring in Russia and India, just to cite two other examples, may also exert influences well beyond their borders. And new systems alliance, such as that which formed between Brazil, India, China, South Africa and others at the Cancun conference could well signal the emergence of completely different power force in global politics just as important, if not potentially more so, than the alliance that came together at Bandung in 1953 to create a bloc of non-aligned countries in the midst of Cold War polarization. All of this shows, however, that we are not confronting any simple "export" of neo-liberalism from some hegemonic center. The development of neo-liberalism must be regarded as a decentered and unstable evolutionary process characterized by uneven geographical developments and strong competitive pressures between a variety of dynamic centers of political-economic power.

ACHIEVEMENTS: THE RESURGENCE OF ACCUMULATION BY DISPOSSESSION

In what ways can it be said that the neo-liberal turn has resolved the problems of flagging capital accumulation? Its actual record in stimulating economic growth is nothing short of dismal. Aggregate growth rates stood at 3.5 percent or so in the 1960s and even during the troubled 1970s fell only to 2.4 percent. But the subsequent global growth rates of 1.4 percent and 1.1 percent for the 1980s and 1990s (and a rate that barely touches 1 percent since 2000) indicate that neo-liberalism has broadly failed to stimulate

world-wide growth.³⁵ Why, then, are so many persuaded that neo-liberalism is the “only alternative” and that it has been so successful? Two reasons stand out. First, the volatility of uneven geographical development has accelerated permitting certain territories to advance spectacularly (at least for a time) at the expense of others. If, for example, the 1980s belonged largely to Japan, the Asian “tigers” and West Germany, and if the 1990s belonged to the US and the UK, then the fact that “success” was to be had somewhere obscured the fact that neo-liberalism was generally failing. Secondly, neo-liberalism has been a huge success from the standpoint of the upper classes. It has either restored class power to ruling elites (as in the US and Britain) or created conditions for capitalist class formation (as in China, India, Russia, and elsewhere). In both instances it is the increase in inequality that has counted.³⁶ With the media dominated by upper class interests, the myth could be propagated that territories failed because they were not competitive enough (thereby setting the stage for even more neo-liberal reforms). Increased social inequality within a territory was necessary to encourage the entrepreneurial risk and innovation that conferred competitive power and stimulated growth. If conditions among the lower classes deteriorated, this was because they failed, usually for personal and cultural reasons, to enhance their own human capital (through dedication to education, the acquisition of a protestant work ethic, submission to work discipline and flexibility, and the like). Particular problems arose, in short, because of lack of competitive strength or because of personal, cultural and political failings. In a Darwinian world, the argument went, only the fittest should and do survive. Systemic problems were masked under a blizzard of ideological pronouncements and under a plethora of localized crises.

If the main achievements of neo-liberalism have been redistributive rather than generative, then ways had to be found to transfer assets and redistribute wealth and income either from the mass of the population towards the upper classes or from vulnerable to richer countries. I have elsewhere provided an account of these mechanisms under the rubric of “accumulation by dispossession.”³⁷ By this I mean the continuation and proliferation of accumulation practices that Marx had treated of as “primitive” or “original” during the rise of capitalism. These include the commodification and privatization of land and the forceful expulsion of peasant populations (as in Mexico

and India in recent times); conversion of various forms of property rights (common, collective, state, etc.) into exclusive private property rights; suppression of rights to the commons; commodification of labor power and the suppression of alternative (indigenous) forms of production and consumption; colonial, neo-colonial and imperial processes of appropriation of assets (including natural resources); monetization of exchange and taxation, particularly of land; the slave trade (which continues particularly in the sex industry); and usury, the national debt and, most devastating of all, the use of the credit system as radical means of primitive accumulation. The state, with its monopoly of violence and definitions of legality, plays a crucial role in both backing and promoting these processes. To this list of mechanisms we may now add a raft of additional techniques, such as the extraction of rents from patents and intellectual property rights and the diminution or erasure of various forms of common property rights (such as state pensions, paid vacations, access to education and health care) won through a generation or more of social democratic class struggle. The proposal to privatize all state pension rights (pioneered in Chile under the dictatorship) is, for example, one of the cherished objectives of the neo-liberals in the US.

While in the cases of China and Russia, it might be reasonable to refer to recent events in “primitive” and “original” terms, the practices that restored class power to capitalist elites in the US and elsewhere are best described as an on-going process of accumulation by dispossession that rose rapidly to prominence under neo-liberalism. I isolate four main elements:

1. *Privatization*

The corporatization, commodification and privatization of hitherto public assets has been a signal feature of the neo-liberal project. Its primary aim has been to open up new fields for capital accumulation in domains hitherto regarded off-limits to the calculus of profitability. Public utilities of all kinds (water, telecommunications, transportation), social welfare provision (social housing, education, health care, pensions), public institutions (such as universities, research laboratories, prisons) and even warfare (as illustrated by the “army” of private contractors operating alongside the armed forces in Iraq) have all been privatized to some degree throughout the capitalist world. The intellectual property rights established through the so-called TRIPS agreement within the

WTO defines genetic materials, seed plasmas, and all manner of other products, as private property. Rents for use can then be extracted from populations whose practices had played a crucial role in the development of these genetic materials. Biopiracy is rampant and the pillaging of the world's stockpile of genetic resources is well under way to the benefit of a few large pharmaceutical companies. The escalating depletion of the global environmental commons (land, air, water) and proliferating habitat degradations that preclude anything but capital intensive modes of agricultural production have likewise resulted from the wholesale commodification of nature in all its forms. The commodification (through tourism) of cultural forms, histories and intellectual creativity entails wholesale dispossessions (the music industry is notorious for the appropriation and exploitation of grassroots culture and creativity). As in the past, the power of the state is frequently used to force such processes through even against popular will. The rolling back of regulatory frameworks designed to protect labor and the environment from degradation has entailed the loss of rights. The reversion of common property rights won through years of hard class struggle (the right to a state pension, to welfare, to national health care) into the private domain has been one of the most egregious of all policies of dispossession pursued in the name of neo-liberal orthodoxy. All of these processes amount to the transfer of assets from the public and popular realms to the private and class-privileged domains. Privatization, Arandhuti Roy argues with respect to the Indian case, entails “the transfer of productive public assets from the state to private companies. Productive assets include natural resources. Earth, forest, water, air. These are the assets that the state holds in trust for the people it represents.....To snatch these away and sell them as stock to private companies is a process of barbaric dispossession on a scale that has no parallel in history.”³⁸

2 Financialization

The strong wave of financialization that set in after 1980 has been marked by its speculative and predatory style. The total daily turnover of financial transactions in international markets which stood at \$2.3 billion in 1983 had risen to \$130 billion by 2001. This \$40 trillion annual turnover in 2001 compares to the estimated \$800 billion that would be required to support international trade and productive investment flows. Deregulation allowed the financial system to become one of the main centers of

redistributive activity through speculation, predation, fraud and thievery. Stock promotions, ponzi schemes, structured asset destruction through inflation, asset stripping through mergers and acquisitions, the promotion of levels of debt incumbency that reduced whole populations, even in the advanced capitalist countries, to debt peonage, to say nothing of corporate fraud, dispossession of assets (the raiding of pension funds and their decimation by stock and corporate collapses) by credit and stock manipulations - all of these became central features of the capitalist financial system. The emphasis on stock values, that arose out of bringing together the interests of owners and managers of capital through the remuneration of the latter in stock options, led, as we now know, to manipulations in the market that brought immense wealth to a few at the expense of the many. The spectacular collapse of Enron was emblematic of a general process that dispossessed many of their livelihoods and their pension rights. Beyond this, we also have to look at the speculative raiding carried out by hedge funds and other major institutions of finance capital for these formed the real cutting edge of accumulation by dispossession on the global stage, even as they supposedly conferred the positive benefit for the capitalist class of “spreading risks.”³⁹

3 The Management and Manipulation of Crises

Beyond the speculative and often fraudulent froth that characterizes much of neo-liberal financial manipulation, there lies a deeper process that entails the springing of “the debt trap” as a primary means of accumulation by dispossession.⁴⁰ Crisis creation, management and manipulation on the world stage has evolved into the fine art of deliberative redistribution of wealth from poor countries to the rich. By suddenly raising interest rates in 1979, Volcker raised the proportion of foreign earnings that borrowing countries had to put to debt-interest payments. Forced into bankruptcy, countries like Mexico had to agree to structural adjustment. While proclaiming its role as a noble leader organizing “bail-outs” to keep global capital accumulation stable and on track, the US could also open the way to pillage the Mexican economy through deployment of its superior financial power under conditions of local crisis. This was what the US Treasury/Wall Street/IMF complex became expert at doing everywhere. Greenspan at the Federal Reserve deployed the same Volcker tactic several times in the 1990s. Debt crises in individual countries, uncommon during the 1960s, became very frequent during the

1980s and 1990s. Hardly any developing country remained untouched and in some cases, as in Latin America, such crises were frequent enough to be considered endemic. These debt crises were orchestrated, managed and controlled both to rationalize the system and to redistribute assets during the 1980s and 1990s. Wade and Veneroso capture the essence of this when they write of the Asian crisis (provoked initially by the operation of US-based hedge funds) of 1997-8:

"Financial crises have always caused transfers of ownership and power to those who keep their own assets intact and who are in a position to create credit, and the Asian crisis is no exception....there is no doubt that Western and Japanese corporations are the big winners.....The combination of massive devaluations, IMF-pushed financial liberalization, and IMF facilitated recovery may even precipitate the biggest peacetime transfer of assets from domestic to foreign owners in the past fifty years anywhere in the world, dwarfing the transfers from domestic to US owners in Latin America in the 1980s or in Mexico after 1994. One recalls the statement attributed to Andrew Mellon: "In a depression assets return to their rightful owners."⁴¹

The analogy with the deliberate creation of unemployment to produce a pool of low wage surplus labor convenient for further accumulation is exact. Valuable assets are thrown out of use and lose their value. They lie fallow and dormant until capitalists possessed of liquidity choose to seize upon them and breath new life into them. The danger, however, is that crises might spin out of control and become generalized, or that revolts will arise against the system that creates them. One of the prime functions of state interventions and of international institutions is to orchestrate crises and devaluations in ways that permit accumulation by dispossession to occur without sparking a general collapse or popular revolt. The structural adjustment program administered by the Wall Street/Treasury/IMF complex takes care of the first while it is the job of the comprador neo-liberal state apparatus (backed by military assistance from the imperial powers) in the country that has been raided to ensure that the second does not occur. But the signs of popular revolt soon began to emerge, first with the Zapatista uprising in Mexico in 1994 and then later in the generalized discontent that emerged with the anti-globalization movement that cut its teeth in the revolt at Seattle.

4 *State Redistributions*

The state, once transformed into a neo-liberal set of institutions, becomes a prime agent of redistributive policies, reversing the flow from upper to lower classes that had occurred during the era of social democratic hegemony. It does this in the first instance through pursuit of privatization schemes and cut-backs in those state expenditures that support the social wage. Even when privatization appears as beneficial to the lower classes, the long-term effects can be negative. At first blush, for example, Thatcher's program for the privatization of social housing in Britain appeared as a gift to the lower classes which could now convert from rental to ownership at a relatively low cost, gain control over a valuable asset and augment their wealth. But once the transfer was accomplished, housing speculation took over particularly in prime central locations, eventually bribing or forcing low income populations out to the periphery in cities like London and turning erstwhile working class housing estates into centers of intense gentrification. The loss of affordable housing in central areas produced homelessness for many and extraordinarily long commutes for those who did have low-paying service jobs. The privatization of the ejidos in Mexico which became a central component of the neo-liberal program set up during the 1990s, has had analogous effects upon the prospects for the Mexican peasantry, forcing many rural dwellers off the land into the cities in search of employment. The Chinese state has followed through a whole series of draconian steps in which assets have been conferred on a small elite to the detriment of the mass of the population.

The neo-liberal state also seeks redistributions through a variety of other means such as revisions in the tax code to benefit returns on investment rather than incomes and wages, promotion of regressive elements in the tax code (such as sales taxes), displacement of state expenditures and free access to all by user fees (e.g. on higher education) and the provision of a vast array of subsidies and tax breaks to corporations. The corporate welfare programs that now exist in the US at federal, state and local levels amount to a vast redirection of public moneys for corporate benefit (directly as in the case of subsidies to agribusiness and indirectly as in the case of the military-industrial sector), in much the same way that the mortgage interest rate tax deduction operates in the US as a massive subsidy to upper income home owners and the construction industry.

The rise of surveillance and policing and, in the case of the US, incarceration of recalcitrant elements in the population indicate a more sinister role of intense social control. In the developing countries, where opposition to neo-liberalism and accumulation by dispossession can be stronger, the role of the neo-liberal state quickly assumes that of active repression even to the point of low-level warfare against oppositional movements (many of which can now conveniently be designated as “terrorist” so as to garner US military assistance and support) such as the Zapatistas in Mexico or the landless peasant movement in Brazil.

In effect, reports Roy, “India’s rural economy, which supports seven hundred million people, is being garroted. Farmers who produce too much are in distress, farmers who produce too little are in distress, and landless agricultural laborers are out of work as big estates and farms lay off their workers. They’re all flocking to the cities in search of employment.”¹⁷ In China the estimate is that at least half a billion people will have to be absorbed by urbanization over the next ten years if rural mayhem and revolt is to be avoided. What they will do in the cities remains unclear, though, as we have seen, the vast physical infrastructural plans now in the works will go some way to absorbing the labor surpluses released by primitive accumulation.

The redistributive tactics of neo-liberalism are wide-ranging, sophisticated, frequently masked by ideological gambits but devastating for the dignity and social well-being of vulnerable populations and territories. The global justice movement has done much to expose both the methods and the consequences of accelerating processes of accumulation by dispossession. The question then remains as to how opposition to these processes has been and might better be articulated.

CONTRADICTIONS AND OPPOSITIONS WITHIN NEO-LIBERALISM

Neo-liberalism has spawned within itself an extensive oppositional culture. The opposition tends, however, to accept many of the basic propositions of neo-liberalism and focus on internal contradictions. It typically takes questions of individual rights and freedoms seriously and opposes them to the authoritarianism and frequent arbitrariness of political, economic and class power. It takes the neo-liberal rhetoric of improving the

welfare of all and condemns neo-liberalism for failing in its own terms. Consider, for example, the first substantive paragraph of that quintessential neo-liberal program, the WTO agreement. The aim is:

“raising standards of living, full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of and trade in goods and services while allowing for the optimal use of the world’s resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of economic development.”

Similar pious hopes can be found in World Bank pronouncements (“the reduction of poverty is our chief aim”). None of this sits easily with the actual practices that underpin the restoration or creation of class power.

The rise of opposition cast in terms of violations of human rights has been particularly spectacular since 1980 or so. Before then, Chandler reports, a prominent journal such as *Foreign Affairs* carried not a single article on human rights.^{xx} Human rights issues came to prominence after 1980 and positively boomed after the events in Tiananmen Square and the end of the Cold War in 1989. This corresponds exactly with the trajectory of neo-liberalism and the two movements are deeply implicated in each other. Undoubtedly, the neo-liberal insistence upon the individual as the foundational and essentialist element in political-economic life does open the door to extensive individual rights activism. But by focusing on those rights rather than on the creation or re-creation of substantive and open democratic governance structures, the opposition cultivates methods that cannot escape the neo-liberal trap. The neo-liberal attachment to the individual is allowed to trump any social democratic concern for equality, democracy and social solidarities. The frequent appeal to legal action, for example, accepts the neo-liberal shift from parliamentary to judicial and executive powers. But it is costly and time-consuming to go down legal paths and the courts are in any case heavily biased towards ruling class interests both in terms of the class allegiance of the judiciary and the whole history of legal decisions which, in most bourgeois democracies, favor rights of private property and the profit rate over rights of equality and social justice. Law replaces

politics “as the vehicle for articulating needs in the public setting.” It is, Chandler concludes, “the liberal elite’s disillusionment with ordinary people and the political process (that) leads them to focus more on the empowered individual, taking their case to the judge who will listen and decide.”^{xx}

Since most needy individuals lack the financial resources to pursue their own rights, the only way in which this ideal can be articulated is through the formation of advocacy groups. The rise of advocacy groups and NGOs has, like rights discourses more generally, accompanied the neo-liberal turn and increased spectacularly since 1980 or so. The NGOs have in many instances stepped into the vacuum in social provision left by the withdrawal of the state from such activities. This amounts to a process of privatization by NGO. In some instances this seems to have helped accelerate further state withdrawal from social provision. NGOs thereby function as “trojan horses for global neoliberalism.”^{xx} Furthermore, they are not democratic institutions. They tend to be elitist, unaccountable, and by definition distant from those they seek to protect or help, no matter how well-meaning they may be. They frequently conceal their agendas, and prefer direct negotiation with or influence over state and class power. They typically control their clientele rather than represent it. They claim and presume to speak on behalf of those who cannot speak for themselves, even define the interests of those they speak for (as if people are unable to do this for themselves), but the legitimacy of their status is always open to doubt. When, for example, organizations agitate successfully to ban child labor in production as a matter of universal human rights, they may undermine economies where that labor is fundamental to survival. Without any viable economic alternative the children may be sold into prostitution instead (leaving yet another advocacy group to pursue the eradication of that). The universality presupposed in “rights talk” and the dedication of the NGOs and advocacy groups to universal principles sits uneasily with the local particularities and daily practices of political economic life.

But there is another reason why this particular oppositional culture has gained so much traction in recent years. Accumulation by dispossession entails a very different set of practices from accumulation through the expansion of wage labor in industry and agriculture. The latter, which dominated processes of capital accumulation in the 1950s and 1960s, gave rise to an oppositional culture (such as that embedded in trade unions

and working class political parties) that produced the social democratic compromise. Dispossession, on the other hand, is fragmented and particular - a privatization here, an environmental degradation there, a financial crisis of indebtedness somewhere else. It is hard to oppose all of this specificity and particularity without appeal to universal principles. Dispossession entails the loss of rights. Hence the turn to a universalistic rhetoric of human rights, dignity, sustainable ecological practices, environmental rights, and the like, as the basis for a unified oppositional politics.

This appeal to the universalism of rights is a double-edged sword. It may and can be used with progressive aims in mind. The tradition that is most spectacularly represented by Amnesty International, Medecins sans Frontieres, and others cannot be dismissed as a mere adjunct of neo-liberal thinking. The whole history of humanism (both of the Western - classically liberal - and various non-Western versions) is too complicated for that. But the limited objectives of many rights discourses (in Amnesty's case the exclusive focus, until recently, on civil and political as opposed to economic rights) makes it all too easy to absorb them within the neo-liberal frame. Universalism seems to work particularly well with global issues such as climate change, the ozone hole, loss of biodiversity through habitat destruction, and the like. But its results in the human rights field are more problematic, given the diversity of political-economic circumstances and cultural practices to be found in the world. Furthermore, it has been all too easy to co-opt human rights issues as "swords of empire" (to use Bartholomew and Breakspear's trenchant characterization). So-called "liberal hawks" in the U.S., for example, have appealed to them to justify imperialist interventions in Kosovo, East Timor, Haiti, and, above all, in Afghanistan and Iraq. They justify military humanism "in the name of protecting freedom, human rights and democracy even when it is pursued unilaterally by a self-appointed imperialist power" such as the US. More broadly, it is hard not to conclude with Chandler that "the roots of today's human rights-based humanitarianism lie in the growing consensus of support for Western involvement in the internal affairs of the developing world since the 1970s." The key argument "is that international institutions, international and domestic courts, NGOs or ethics committees are better representatives of the people's needs than are elected government. Governments and elected representatives are seen as suspect precisely because they are

held to account by their constituencies and, therefore, are perceived to have ‘particular’ interest, as opposed to acting on ethical principle.” Domestically, the effects are no less insidious. The effect is to narrow “public political debate through legitimizing the developing decision-making role for the judiciary and unelected task forces and ethics committees.” The political effects can be debilitating. “Far from challenging the individual isolation and passivity of our atomised societies, human rights regulation can only institutionalise these divisions.”^{xx}

The temptation in the light of this critique is to eschew all appeal to universals as fatally flawed and to abandon all mention of rights as an untenable imposition of abstract ethics as a mask for the restoration of class power. While both propositions deserve to be seriously considered, I think it unfortunate to abandon this field to neo-liberal hegemony. There is a battle to be fought not only over which universals and what rights shall be invoked in particular situations but also over how universal principles and conceptions of rights shall be constructed. In this the critical connection forged between neo-liberalism as an evolution of a particular set of political-economic practices and the increasing appeal to universals, ethical principles and rights of a certain sort as a foundation for moral and political legitimacy should alert us. The Bremer decrees impose a certain conception of rights upon Iraq. At the same time they violate the Iraqi right to self-determination. “Between two rights,” Marx famously commented in his chapter on struggles over the length of the working day, “force decides.” If class restoration entails the imposition of a distinctive set of rights, then resistance to that imposition entails struggle for entirely different rights.

The positive sense of justice as a right has, for example, been a powerful provocateur in political movements: struggles against injustice have powerfully animated movements for social change. The problem, of course, is that there are innumerable concepts of justice to which we may appeal. But analysis shows that certain dominant social processes throw up and rest upon certain conceptions of justice and of rights. To challenge those particular rights is to challenge the social process in which they inhere. Conversely, it proves impossible to wean society away from some dominant social process (such as that of capital accumulation through market exchange) to another (such as political democracy and collective action) without simultaneously shifting allegiance

from one dominant conception of rights and of justice to another. The difficulty with all idealist specifications of rights and of justice is that they hide this connection. Only when they come to earth in relation to some social process do they find social meaning.^{xx}

Consider, for example, the case of neoliberalism. Rights cluster around two dominant logics of power - that of the territorial state and that of capital.^{xx} Consider, first, state powers. However much we might wish rights to be universal, it requires the protection of the state apparatus to enforce those rights. If political power is not willing, then notions of rights remain empty. Rights in this instance are fundamentally derivative of and conditional upon citizenship. The territoriality of jurisdiction then becomes an issue. This cuts both ways. Difficult questions arise because of stateless persons, migrants without papers, illegal immigrants and the like. Who is or is not a "citizen" becomes a serious issue defining principles of inclusion and exclusion within the territorial specification of the national or local state. How the state exercises sovereignty with respect to rights is itself a contested issue, but there are limits placed on that sovereignty (as China is discovering) by the rules embedded in neo-liberal capital accumulation. Nevertheless, the nation state, with its monopoly over legitimate forms of violence, can in Hobbesian fashion define its own bundle of rights and of interpretations of rights and be only loosely bound by international conventions. The US, for one, insists on its right not to be held accountable to crimes against humanity as defined in the international arena at the same time as it insists that war criminals from elsewhere be brought to justice before the very same courts whose authority it denies in relation to its own citizens.

To live under neo-liberalism also means to accept or submit to that liberal bundle of rights necessary for capital accumulation. We live, therefore, in a society in which the inalienable rights of individuals (and, recall, corporations are defined as individuals before the law) to private property and the profit rate trump any other conception of inalienable rights you can think of. Defenders of this regime of rights plausibly argue that it encourages "bourgeois virtues," without which everyone in the world would be far worse off. These include individual responsibility and liability, independence from state interference (which often places this regime of rights in severe opposition to those defined within the state), equality of opportunity in the market and before the law, rewards for initiative and entrepreneurial endeavors, care for oneself and one's own, and

an open market place that allows for wide-ranging freedoms of choice of both contract and exchange. This system of rights appears even more persuasive when extended to the right of private property in one's own body (which underpins the right of the person to freely contract to sell his or her labor power as well as to be treated with dignity and respect and to be free from bodily coercions such as slavery) and the right to freedom of thought, of expression and of speech. Let us admit it: these derivative rights are appealing. Many of us rely heavily upon them. But we do so much as beggars live off the crumbs from the rich man's table. Let me explain.

I cannot convince anyone by philosophical argument that the neo-liberal regime of rights is unjust. But the objection to this regime of rights is quite simple: to accept it is to accept that we have no alternative except to live under a regime of endless capital accumulation and economic growth no matter what the social, ecological or political consequences. Reciprocally, endless capital accumulation implies that the neo-liberal regime of rights must be geographically expanded across the globe by violence (as in Chile and Iraq), by imperialist practices (such as those of the World Trade Organization, the IMF and the World Bank) or through primitive accumulation (as in China and Russia) if necessary. By hook or by crook, the inalienable rights of private property and the profit rate will be universally established. This is precisely what Bush means when he says the US dedicates itself to extend the sphere of liberty and freedom across the globe.

But these are not the only set of rights available to us. Even within the liberal conception as laid out in the UN Charter there are derivative rights such as freedoms of speech and expression, of education and economic security, rights to organize unions, and the like. Enforcing these rights would have posed a serious challenge to the hegemonic practices of neo-liberalism. Making these derivative rights primary and the primary rights of private property and the profit rate derivative would entail a revolution in political-economic practices of great significance. There are also entirely different conceptions of rights to which we may appeal - of access to the global commons or to basic food security, for example. "Between equal rights force decides" and political struggles over the proper conception of rights moves center stage to how possibilities and alternatives get represented, articulated and eventually born forward into transformative

political-economic practices. We will, however, return to this question by way of conclusion.

THE NEO-CONSERVATIVE RESPONSE

Reflecting on the recent history of China, Hui suggests that:

“On the theoretical level, such discursive narratives as ‘neo-Authoritarianism,’ ‘neoconservatism,’ ‘classical liberalism,’ market extremism, national modernization.....all had close relationships of one sort or another with the constitution of neoliberalism. The successive displacement of these terms for one another (or even the contradictions among them) demonstrate the shifts in the structure of power in both contemporary China and the contemporary world at large.”^{xx}

In its authoritarianism, militarism and hierarchical sense of power, neo-conservatism is entirely consistent with the neo-liberal agenda of elite governance and mistrust of democracy. From this standpoint neo-conservatism appears as a mere stripping away of the veil of authoritarianism in which neo-liberalism sought to envelope itself. But neo-conservatism does propose distinctive answers to one of the central contradictions of neo-liberalism. If “there is no such thing as society but only individuals” as Thatcher initially put it, then the chaos of individual interests can easily end up prevailing over order. The anarchy of the market, of competition and of unbridled individualism (individual hopes, desires, anxieties and fears; choices of lifestyle, of sexual habits and orientation, modes of self-expression and behaviors towards others) generate a situation that seems increasingly ungovernable. It may even lead to a breakdown of all bonds of solidarity and a condition verging on social anarchy and nihilism.

In the face of this, some degree of coercion appears inevitable to restore order. The neo-conservatives prefer and emphasize militarization as an antidote to the chaos of individual interests. They are therefore far more likely to highlight threats, real or

imagined, both at home and abroad, to the integrity and stability of the nation. In the US this entails triggering what Hofstadter refers to as “the paranoid style of American politics” in which the nation is depicted as besieged and threatened by enemies from within and without. This style of politics has had a long history in the US and it rests on the cultivation of a strong sense of nationalism. Anti-communism was the central focus for this throughout the twentieth century (though anarchism and fear of China and of immigrants have also played their role in the past). Neo-conservatism is not new, therefore, and since World War II it has found a particular home in a powerful military-industrial complex that has a vested interest in permanent militarization. But the end of the Cold War posed the question of where the threat to US security was coming from. Radical Islam and China emerged as the top two candidates externally and dissident internal movements (the Branch Davidians incinerated at Waco, militia movements that gave succor to the Oklahoma bombing, the riots that followed the beating of Rodney King in Los Angeles, and finally the disorders that broke out in Seattle in 1999) had to be targeted internally by stronger surveillance and policing. The very real emergence of the threat from radical Islam during the 1990s that culminated in the events of 9/11 finally came to the fore as the central focus for the declaration of a permanent “war on terror” that demanded militarization at both home and abroad to guarantee the security of the nation. While, plainly, some sort of police/military response was called for to the threats revealed by the two attacks against the World Trade Center in New York, the arrival in power of neo-conservatives guaranteed an overarching and in the judgment of many an overreaching response in the turn to extensive militarization at home and abroad.

While neo-conservatives are all too willing to exercise coercive power, they still recognize, however, that some degree of consent is necessary. Neo-conservatism therefore seeks to restore a sense of moral purpose, some higher order values that will form the stable center of the body politic. Its aim is to control thereby the blatant contradiction between authoritarianism and individual freedoms within the neo-liberal ethos and to counteract the dissolving effect of the chaos of individual interests that neo-liberalism typically produces. It in no way departs from the neo-liberal agenda of a construction or restoration of a dominant class power. But it seeks legitimacy for that power through construction of a climate of consent around central moral values. This

immediately poses the question of which moral values shall be central. It would, for example, be entirely feasible to appeal to the liberal system of human rights as embedded in the US Bill of Rights: after all, the aim of human rights activism, as Mary Kaldor argues, “is not merely intervention to protect human rights but the creation of a moral community.” But this would be inconsistent with the turn to militarization.

In the US the moral values that became central to the neo-conservative movement can best be understood as a logical outcome of the particular coalition that was built in the 1970s between elite class and business interests intent on restoring their class power and an electoral base among the “moral majority” of the disaffected white working class. The moral values centered upon cultural nationalism, moral righteousness, Christianity (of a certain evangelical sort), family values and right to life issues, and on antagonism to the new social movements (feminism, gay rights, affirmative action, environmentalism and the like). While this alliance was mainly tactical under Reagan, the domestic disorder of the Clinton years forced the moral values argument to the top of the agenda in the republicanism of Bush the younger. It now forms the core of the moral agenda of the neo-conservative movement.

The consolidation of this ideology has implications both domestically and internationally. On the international stage, the trumpeting of the superiority of “American values” and their presentation as “universal values” for all of humanity is unavoidable. This makes it appear as if the US is waging a “crusade” (which it is) for “civilized values” (which it supposedly represents) on the world stage. The nationalism involved in US behavior on the global stage becomes blatant and the sense of a moral crusade affects everyday diplomacy particularly with respect to the Israeli-Palestinian conflict in which the Christian right in the US, with its strong belief in Armageddon, sees as fundamental to its own destiny. The sense of moral superiority within the US provokes antagonism towards the rest of the world at the same time as it closes down the possibility of open dialogue and persuasive negotiation. The neo-conservative turn of the Bush administration creates a very different climate in world geopolitical relations to that pursued under the multicultural neo-liberalism of the Clinton presidency.

But it would be wrong to see this neo-conservative turn as exceptional or peculiar to the US, even though there are special elements at work in the US that may not be present elsewhere. Within the US this assertion of moral values relies heavily upon appeals to ideals of nation, religion, history, cultural tradition, and the like, and these ideals are by no means confined to the US. The rise of nationalist sentiment in Japan and China, for example, has been marked in recent years, and in both instances this can be seen as an antidote to the dissolution of former bonds of social solidarity under the impact of neo-liberalism. Strong currents of cultural nationalism are stirring within the old nation states (such as France) that now constitute the European union. Religion and cultural nationalism provided the moral heft behind the Hindu Nationalist Party's success in importing neo-liberal practices into India. The invocation of moral values in the Iranian revolution and the subsequent turn to authoritarianism has not led to total abandonment of neo-liberal practices there even though the revolution was aimed at the decadence of unbridled market individualism. A similar impulse lies behind the long-standing sense of moral superiority that pervades countries like Singapore and Japan in relationship to what they see as the "decadent" individualism and the shapeless multiculturalism of the US. The case of Singapore is particularly instructive. It has combined neo-liberalism in the market place with draconian coercive and authoritarian state power while invoking moral solidarities based on ideals of a beleaguered island state (after its ejection from the Malaysian federation), of Confucian values, and most recently of a distinctive form of the cosmopolitan ethic suited to its current position in the world of international trade.

Clearly there are dangers in the consolidation of neo-conservative movements, each prepared to resort to draconian coercive practices while each espousing its own distinctive and supposedly superior moral values. What seems like an answer to the contradictions of neo-liberalism can all too easily turn into the problem. Indeed, the spread of neo-conservative power, albeit grounded very differently in different social formations, highlights the dangers of descent into competing perhaps even warring nationalisms, if not the clash of civilizations that someone like Huntington erroneously sees as inevitable on the world stage. If there is an inevitability it arises solely out of the turn to neo-conservatism rather than out of eternal truths concerning civilizational

differences. The “inevitability” can therefore easily be rebuffed by turning away from neo-conservative solutions and seeking out other alternatives to confront if not supplant entirely the contradictions of neo-liberalism. It is to this issue that we now turn.

ALTERNATIVES

Our task is both to understand the world and, as Marx long ago argued, to change it. But if no social order can achieve changes that are not already latent within its existing condition and if we cannot hope to make our history and our geography except under historical and geographical conditions handed down to us, then the task of critical engagement with the historical geography of neo-liberalism and the subsequent turn to neo-conservatism is to search within the present for alternative futures.

There are two major paths to such an end. We may examine the plethora of oppositional movements to neo-liberalism and seek to distill from them the essence of a broad-based oppositional program. Or we can resort to theoretical and practical analysis of our existing condition (of the sort I have engaged in here) to define alternatives. To take the latter path in no way presumes that existing oppositional movements are wrong or somehow defective in their understandings. By the same token, oppositional movements cannot presume that analytic findings are irrelevant to their cause. The task is to initiate dialogue between those taking both paths and thereby to deepen collective understandings of possibilities and feasible alternatives.

Neo-liberalism has spawned a swath of oppositional movements both within and outside of its compass. Many of these movements are radically different from the worker-based movements that dominated before 1980. I say “many” but not “all.” Traditional worker-based movements are by no means dead even in the advanced capitalist countries where they have been much weakened by the neo-liberal onslaught upon their power. In South Korea and South Africa vigorous labor movements arose during the 1980s and in much of Latin America working class parties are flourishing if not in power. In Indonesia a putative labor movement of great potential importance is struggling to be heard. The potentiality for labor unrest in China is immense though quite unpredictable. And it is not clear either that the mass of the working class in the US which has over this

last generation consistently voted against its own material interests for reasons of cultural nationalism, religion and opposition to multiple social movements, will forever stay locked into such a politics by the machinations of Republicans and Democrats alike. Given the volatility, there is no reason to rule out the resurgence of worker-based politics with a strongly anti-neo-liberal agenda in future years.

But struggles against accumulation by dispossession are fomenting quite different lines of social and political struggle. Partly because of the distinctive conditions that give rise to such movements, their political orientation and modes of organization depart markedly from those typical of social democratic politics. The Zapatista rebellion, for example, did not seek to take over state power or accomplish a political revolution. It sought instead a more inclusionary politics to work through the whole of civil society in a more open and fluid search for alternatives that would look to the specific needs of the different social groups and allow them to improve their lot. Organizationally, it tended to avoid avant-gardism and refused to take on the form of a political party. It preferred instead to remain a social movement within the state, attempting to form a political power bloc in which indigenous cultures would be central rather than peripheral. It sought thereby to accomplish something akin to a passive revolution within the territorial logic of state power

The effect of all these movements has been to shift the terrain of political organization away from traditional political parties and labor organizing into a less focused political dynamic of social action across the whole spectrum of civil society. But what it lost in focus it gained in terms of relevance. It drew its strengths from embeddedness in the nitty-gritty of daily life and struggle, but in so doing often found it hard to extract itself from the local and the particular to understand the macro-politics of what neo-liberal accumulation by dispossession was and is all about. The variety of such struggles was and is simply stunning. It is hard to even imagine connections between them. They were and are all part of a volatile mix of protest movements that swept the world and increasingly grabbed the headlines during and after the 1980s.^{xx} These movements and revolts were sometimes crushed with ferocious violence, for the most part by state powers acting in the name of “order and stability.” Elsewhere they produced inter-ethnic violence and civil wars as accumulation by dispossession produced intense

social and political rivalries in a world dominated by divide and rule tactics on the part of capitalist forces. Client states, supported militarily or in some instances with special forces trained by the major military apparatuses (led by the U.S. with Britain and France playing a minor role) took the lead in a system of repressions and liquidations to ruthlessly check activist movements challenging accumulation by dispossession.

The movements themselves have produced a plethora of ideas regarding alternatives. Some seek to de-link wholly or partially from the overwhelming powers of neo-liberalism and neo-conservatism. Others seek global social and environmental justice by reform or dissolution of powerful institutions such as the IMF, the WTO and the World Bank. Still others emphasize the theme of "reclaiming the commons" thereby signaling deep continuities with struggles of long ago as well as with struggles waged throughout the bitter history of colonialism and imperialism. Some envisage a multitude in motion, or a movement within global civil society, to confront the dispersed and decentered powers of the neo-liberal order, while others more modestly look to local experiments with new production and consumption systems animated by completely different kinds of social relations and ecological practices. There are also those who put their faith in more conventional political party structures with the aim of gaining state power as one step towards global reform of the economic order. Many of these diverse currents now come together at the World Social Forum in an attempt to define their commonalities and to build an organizational power capable of confronting the many variants of neo-liberalism and of neo-conservatism. There is much here to admire and to inspire.

But what sorts of conclusions can be derived from an analysis of the sort here constructed? To begin with the whole history of the social democratic compromise and the subsequent turn to neo-liberalism indicates the crucial role played by class struggle in either checking or restoring class power. Though it has been effectively disguised, we have lived through a whole generation of sophisticated class struggle on the part of the upper strata in society to restore or, as in China and Russia, to construct an overwhelming class power. The further turn to neo-conservatism is illustrative of the lengths to which that class will go and the strategies it is prepared to deploy in order to preserve and enhance its powers. And all of this occurred in decades when many progressives were

theoretically persuaded that class was a meaningless category and when those institutions from which class struggle had hitherto been waged on behalf of the working classes were under fierce assault. The first lesson we must learn, therefore, is that if it looks like class struggle and acts like class struggle then we have to name it for what it is. The mass of the population has either to resign itself to the historical and geographical trajectory defined by this overwhelming class power or respond to it in class terms.

To put it this way is not to wax nostalgic for some lost golden age when the proletariat was in motion. Nor does it necessarily mean (if it ever should have) that there is some simple conception of the proletariat to which we can appeal as the primary (let alone exclusive) agent of historical transformation. There is no proletarian field of utopian Marxian fantasy to which we can retire. To point to the necessity and inevitability of class struggle is not to say that the way class is constituted is determined or even determinable in advance. Class movements make themselves though not under conditions of their own choosing. And analysis shows that those conditions are currently bi-furcated into movements around expanded reproduction in which the exploitation of wage labor and conditions defining the social wage are the central issues and movements around accumulation by dispossession in which everything from classic forms of primitive accumulation through practices destructive of cultures, histories and environments to the depredations wrought by the contemporary forms of finance capital are the focus of resistance. Finding the organic link between these different class movements is an urgent theoretical and practical task. But analysis also shows that this has to occur in an historical-geographical trajectory of capital accumulation that is based in increasing connectivity across space and time but marked by deepening uneven geographical developments. This unevenness must be understood as something actively produced and sustained by processes of capital accumulation, no matter how important the signs may be of residuals of past configurations set up in the cultural landscape and the social world.

But analysis also points up exploitable contradictions within the neo-liberal and neo-conservative agendas. The gap between rhetoric (for the benefit of all) and realization (the benefit of a small ruling class) increases over space and time and the social movements have done much to focus on that gap. The idea that the market is about

competition and fairness is increasingly negated by the facts of extraordinary monopolization, centralization and internationalization of corporate and financial power. The startling increase in class and regional inequalities both within states (such as China, Russia, India and Southern Africa) as well as internationally poses a serious political problem that can no longer be swept under the rug as something “transitional” on the way to a perfected neo-liberal world. The more neo-liberalism is recognized as a failed utopian project masking a successful project for the restoration of class power, the more it lays the basis for a resurgence of mass movements voicing egalitarian political demands and seeking economic justice, fair trade and greater economic security.

The rise of rights discourses under neo-liberalism also presents opportunities as well as problems. Even appeal to the conventional liberal notions of rights can form a powerful “sword of resistance” from which to critique neo-conservative authoritarianism, particularly given the way in which “the war on terror” has everywhere (from the US to China and Chechnya) been deployed as an excuse to diminish civil and political liberties. The rising call to acknowledge Iraqi rights to self-determination and sovereignty is a powerful weapon with which to check US imperial designs. But alternative bundles of rights can also be defined. I argued elsewhere for a bundle of rights to include the right to life chances, to political association and ‘good’ governance, for control over production by the direct producers, to the inviolability and integrity of the human body, to engage in critique without fear of retaliation, to a decent and healthy living environment, to collective control of common property resources, of future generations, to the production of space, to difference and rights inherent in our status as species beings. The critique of endless capital accumulation as the dominant process that shapes our lives entails critique of those specific rights - to individual private property and the profit rate - which inhere in that process and vice versa. To propose a different bundle of rights carries with it, therefore, the obligation to specify a dominant social process within which such rights can be inherently embedded.

A similar argument can be made with respect to the neo-conservative search for a moral highground for its authority and legitimacy. Ideals of moral community and of a moral economy are not foreign to the left historically and many of the movements against accumulation by dispossession are actively articulating the construction of alternative

social relations in moral economy terms. Morality is not a field to be defined solely by a reactionary religious right mobilized under the hegemony of a media and articulated through a political process dominated by corporate money power. The restoration or ruling class power under a welter of confusing moral arguments has to be confronted. The so-called “culture wars” - however misguided some of them may have been - cannot be sloughed off as some unwelcome distraction (as some on the traditional left argue) from class politics. Indeed, the rise of moral argument among the neo-conservatives attests not only to the fear of social dissolution under an individualizing neo-liberalism but also to the broad swaths of moral repugnance already in motion against the alienations, anomie, exclusions, marginalizations and environmental degradations produced in a neo-liberal world. The transformation of that moral repugnance into cultural and then political resistance is one of the signs of our times that need to be read correctly rather than shunted aside. The organic link between such cultural struggles and the struggle to roll back the overwhelming consolidation of class power calls for theoretical and practical exploration.

But it is the profoundly anti-democratic nature of neo-liberalism backed by the authoritarianism of the neo-conservatives that should surely be the main focus of political struggle. The democratic deficit in nominally “democratic” countries such as the US is now enormous. Political representation is there compromised and corrupted by money power. Basic institutional arrangements are seriously biased. Senators from twenty seven states with less than twenty percent of the population have more than half the votes to determine legislative agendas while the blatant gerrymandering of congressional districts to advantage whoever is in power is deemed constitutional by a judicial system increasingly packed with political appointees with a neo-conservative bias. Institutions with enormous power, like the Federal Reserve, are outside of any democratic control whatsoever. Internationally the situation is even worse since there is no accountability let alone democratic control over institutions such as the IMF, the WTO and the World Bank, while NGOs can also operate without democratic input or oversight no matter how well-intentioned their actions.

To bring back the demands for democratic governance and for economic, political and cultural equality and justice is not to suggest some return to a golden past since the

meanings in each instance have to be re-invented to deal with contemporary conditions and potentialities. The meaning of democracy in ancient Athens has little to do with the meanings we must invest it with today in circumstances as diverse as Sao Paulo, Johannesburg, Shanghai, Manilla, San Francisco, Leeds, Stockholm and Lagos. But the stunning point here is that right across the globe, from China, Brazil, Argentina, Taiwan, Korea as well as South Africa, Iran, India, Egypt, the struggling nations of Eastern Europe as well as in the heartlands of contemporary capitalism, there are groups and social movements in motion that are rallying to reforms expressive of some version of democratic values.

The Bush Presidency has projected upon the world the idea that American values are supreme and that values matter since they are the heart of what civilization is about. The world is in a position to reject that imperialist gesture and refract back into the heartland of neo-liberal capitalism and neo-conservatism a completely different set of values: those of an open democracy dedicated to the achievement of social equality coupled with economic, political and cultural justice.

