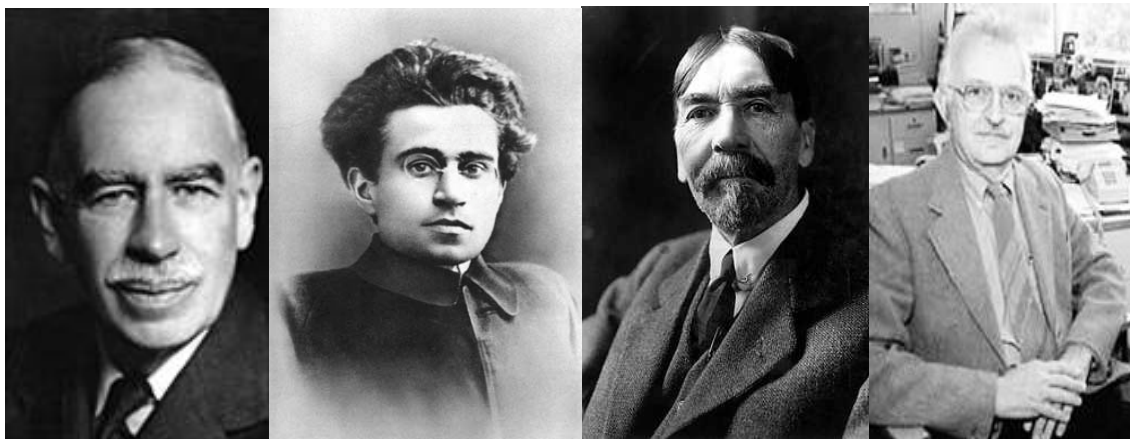


A SURVEY OF GLOBAL POLITICAL ECONOMY

(VERSION 2.1 --OCTOBER 2009)

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TABLE OF CONTENTS

Preface	vi
1. From Classical to Global Political Economy	1
1. Political Economy and Class Conflict <i>From Political Economy to the Critique of Political Economy – The Rentier Perspective and the Value Controversy</i>	
2. The Emergence of Sociology <i>Social Discipline and the Disciplinary Organisation of Academia</i>	
3. Philosophical Antecedents <i>Ontology: Materialism and Idealism – The Subject, Rationality, and Epistemology – Subjectivist, Objectivist and Synthetic GPE Theories</i>	
 <i>Part I. Subjectivist/Actor-Oriented Theories</i>	
2. Micro-Economics and Rational Choice	30
1. The Marginal Revolution in Economics <i>Marginal Utility Theory – Anchoring Subjective Rationality</i>	
2. The Keynesian Challenge and the Neoliberal Response <i>The State Versus the Rentier – The ‘Revenge of the Rentier’: Hayek’s Neoliberalism</i>	
3. Rational Choice and Game Theory <i>The Shadow of Society: Games Between Rational Subjects – Applying the Method</i>	

3. Positivism and Sociology	59
1. Early Positivism and Sociology	
<i>Progressive Evolutionism – Rationalism and Empiricism</i>	
2. Towards a Science of Social Control	
<i>Durkheim's Reformism – Anglophone Sociology Between</i> <i>Evolutionary Liberalism and Discipline</i>	
3. The Neo-Positivist Mutation	
<i>The Turn to Method – Managerial Flexibility as Orthodoxy –</i> <i>Behaviourism and IR Neo-Realism – The Limits of Linguistic</i> <i>Correspondence – Applying the Method</i>	
 4. Hermeneutics, Weber, Constructivism	 88
1. Hermeneutics and Neo-Kantianism	
<i>Roots of Hermeneutics in Romanticism and Theology – 'Meaning'</i> <i>At Both Ends of the Interpretive Method</i>	
2. Weberian Economic Sociology	
<i>Subjective Rationality, Irrational World – Ideal-Types, Values and</i> <i>Action</i>	
3. From Carr to Constructivism	
<i>Neo-Weberian Aspects of Classical Realism – Constructivism –</i> <i>Applying the Method</i>	
 5. Pragmatism and Institutionalism	 114
1. Adaptation and Pragmatic Philosophy	
<i>Social Darwinism and the Frontier Experience – The Functional</i> <i>Psychology of James and Dewey</i>	
2. Veblen and Evolutionary Economics	
<i>Economic Evolution – Rentiers Preying on Industry – Commons</i> <i>and the Managerial Revolution</i>	
3. Karl Polanyi and the Society/Market Dichotomy	
<i>The Double Movement – Varieties of Capitalism – Applying the</i> <i>Method</i>	

Part II. Objectivist/Structural Theories

6. Weak Systems: Regulation and Regime Theories **142**

1. Objective Rationality as System
General Systems Theory – Functionalism and Degrees of Functionalism
2. Regulation Theory
Background in French State Intervention – From State Monopoly Capitalism to Regulation – Regulation Theory Compared to Rational Choice and Institutionalism – Mediation and Class Compromise
3. Regime Theory
Structural Conflict – Functionalist Integration Theory and Epistemic Communities – Applying the Method

7. World Systems and Long Cycle Theories **167**

1. Capitalism as the History of Profit-Driven Enterprise
The 'Annales' School and Braudel – Underdevelopment and Terms of Trade
2. World Systems Theory and Deterministic Materialism
Wallerstein's Reading of Braudel and Frank – System Determinism and Materialism
3. Long Cycles – Hegemony and Economy
Cycles of Hegemony and War – Structural Theory and Its Alternatives – Complexity Theory and Global Turbulence – Applying the Method

Part III. Synthetic/Historicist Theories

8. Historical Materialism and Dialectics **195**

1. Building Blocks of Historical Materialism
The Limits of Naturalistic Materialism – From Kant's Antinomies to Hegel's Dialectics
2. Marx's Transformation of Dialectics
Productive Forces and Relations of Production – The Critique of

<i>Political Economy</i> 3. Dialectical Transitions – Socialisation and Imperialism <i>Socialisation of Labour and Socialism – The Slide Back to Materialism and Economism – Imperialism and Marxism – Applying the Method</i>	
9. The State, Hegemony, and Transnational Classes	225
1. Theories of the Capitalist State <i>State Theories of the Marxist Classics – Poulantzas and Relative Autonomy</i> 2. Gramsci and Neo-Gramscianism <i>Machiavellian Antecedents – Gramsci’s Theory of Historic Blocs and Hegemony – Robert Cox and the Neo-Gramscians</i> 3. Transnational Capital and Class Formation <i>Interlocking Directorates and Concepts of Control – From Class to General Interest – Applying the Method</i>	
10. Freudianism and Post-Structuralism	253
1. The Freudian Legacy <i>De-Centring the Subject – Anti-Fordism: The Critique of Consumerism – Libidinal Political Economy</i> 2. Discourse and Power <i>Language and Semiotics – Discourse, Truth and Power</i> 3. Post-Rationality <i>Rationality as a Function of Power – Post-Modernism and Anti-Modernism – Applying the Method</i>	
References	280
(with alphabetic links of all texts hyperlinked in the chapters)	

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Preface

This text aims to present an overview, against the backdrop of the historical development of philosophy and general social science, of the various strands of theory that can be ranged under the heading of Global Political Economy (GPE). I prefer this term over *International* Political Economy because the latter tends to position itself, by implication, as a sub-discipline of International (i.e., inter-state) Relations (IR) and often boils down to either international economic relations, or to an (economic) theory of consumer choice projected on politics and society.

GPE as understood here, however, self-consciously cuts across the disciplinary organisation of the social sciences. It opens up new possibilities for investigation and insight although it also is bound to provoke distrust among academic authorities and mainstream academics. The reason for this, I have come to believe, is because contesting the disciplinary organisation of the sciences (social as well as natural science) *amounts to resisting a more fundamental discipline, the discipline imposed by capital on society.*

The discipline of capital today constitutes the comprehensive framework in which society evolves, across the globe. The current crisis has shaken the belief that ultimately, this is beneficial for humanity, but not dislodged it. Through complex processes of reward and encouragement, habit and acquiescence, capitalist 'market' discipline governs every aspect of human relations, reaching into the remotest corners of the social structure and nature. In universities, it is expressed in an intensive auditing regime and never-ending reorganisations, against the backdrop of perennial financial crisis in spite of rising student fees. The disciplinary organisation of the social sciences is part and parcel of *this* discipline.

As Peter Bratsis points out (2006: 113n), the organisation into separate academic disciplines has

much less to do with the requisites of intellectual production than ... with Taylorizing academic labour and standardising curricula so as to increase the “efficiency” of higher education and decrease the power of faculty by making them much more interchangeable.

Yet as the same author reminds us, the disciplinary division is a major obstacle to understanding. ‘A social compulsion must be understood in its totality, as a product of a totality of practices not limited by the typical academic boundaries and departmental subfields’ (Ibid.: 113).

One specific consequence of slicing up the subject matter is that research can be made into an activity that can be managed on the basis of a division of labour, with separate tasks parcelled out to quasi-technicians who are no longer in a position to question the fundamental assumptions on which these investigatory tasks are premised.

Modern universities, as I have argued elsewhere (1998: 154-6), primarily function to (re-) produce a class of *managerial cadre*. Higher education therefore must prepare students for a role as directive, but wage-dependent functionaries, who must take the existing distribution of wealth and power for granted—and yet, *within these limits*, be creative. This means that every aspect of their training should ideally be *de-politicised*. In the twentieth century, this has come to mean that the different structures supporting the established order have all been bracketed from critical inquiry by looking at each in isolation from the others. Capitalist economy; multi-party elected government; the priority of civil over public law; social inequality, and an achievement-oriented mind-set, all are cast as either universal norms or inevitable attributes of society, *naturalised* into aspects of the original make-up of the human species. Nature itself has become a discipline, ecology; however, our exploitative relationship with nature, the unifying condition of historical human existence, cannot be properly understood in isolation either. Today that relationship is the source of growing problems, as both society and its natural substratum are showing unmistakeable signs of exhaustion.

The organisation of separate disciplines through professional associations among other things serves to present its practitioners as technically competent. This has further raised the concern of being seen as 'neutral'. Political commitment (other than recommending practical adjustments to changing circumstances) is considered bringing 'the field' into disrepute, making practitioners ineligible for being called in as *experts*. Paradoxically, politics itself has been de-politicised, turned into a science of winning elections and (as IR) maintaining Western pre-eminence in the world. Even in a characteristically politicised country like France, academic specialisation has worked to sanitise academia as well. The result is self-defeating, even from a 'disciplinary' point of view: 20 to 30 professors of public administration are appointed in France every year but the number of professorial appointments in political science declined from 9 in 1996 to 4 in 2002 (Favre, 2005: 355; 362).

As I will argue in Chapter 1, the first signs of how the class politics of capitalist discipline filtered through into academic practice transpired in the subjectivist turn away from classical political economy by the mid-19th century. This created an axiomatic 'economics' sharply demarcated from the remaining social science domain; other specialisations were then lifted out and transformed into academic disciplines, too, beginning with sociology. The challenge posed by Marxism, and more specifically, by the labour movement embracing it, was paramount in triggering this process. Parallel to it, the divide within the emerging capitalist class between a pecuniary, *rentier* element exclusively concerned with property and profit, and a managerial cadre facing actual workers and society at large, was of equal importance at least for shaping the academic response.

The Rational Choice approach I will discuss in Chapter 2 takes the axioms of subjectivist economics as the starting point for a deductive interpretation of all social activity. It articulates the disciplinary perspective of those who take private property and the right to freely dispose of it as their vantage point and applies it across the social sciences. This chapter (like the others that follow) concludes with a section entitled, 'Applying the Method', which outlines the actual procedure one may follow if the approach in question is taken as a guide for actual research and presentation.

In the development of sociology, the managerial perspective (empirical, flexible, realistic) has long prevailed, albeit within a narrowly defined disciplinary separation from economics. As I will argue in Chapter 3, sociology (in France in particular) emerged in tandem with positivism, which lent it its own disciplinary codex equally ready to be exported to other fields. As the discipline of capital deepens, Rational Choice and its concept of 'economic man' also pervade the empirical social science disciplines, creating the confusion between axiomatic deduction and empirical induction that characterises economics, also in the other fields.

Discipline is never a foregone conclusion. It has to be imposed, renewed, and consolidated, just as it will provoke resistance in all kinds of ways. Indeed all along, scholars have resisted the disciplinary organisation of academia, if only by the quality and sweep of their analysis. GPE as understood in this text brings together those approaches that have done this in the domain of the interaction of global politics and economics. In the process, they have reinserted themselves into the history of philosophy, the one 'discipline' solely concerned with thinking and hence, trans-disciplinary in nature. In Chapter 4, the Weberian departure in sociology which challenges positivism from a hermeneutic, neo-Kantian position; in Chapter 5, the institutionalist perspective grafted on pragmatism and pioneered by the rebel American economist, Thorstein Veblen.

Chapter 6 discusses more contemporary approaches, Regulation and Regime theories, as examples of what I call 'weak' systems theory. World System and Long Cycle theory on the other hand, discussed in Chapter 7, are 'strong' systems theories, that is, the presumed connections between politics and economics are part of a structure of determination that is seen as all-pervasive and compelling over long periods.

System approaches have been developed from various angles. In the cases discussed here, they exemplify the idea that development proceeds *objectively*, according to a logic of its own. Rational Choice and Weberian action theory, on the other hand, are *subjectivist* approaches. Positivism too, certainly after the neo-positivist mutation in the early 20th century, is a

subjective approach in that it assumes that the source of logic/rationality is the human capacity to establish and order 'facts' – even if this order is then supposed to correspond to an objective order of things. But that order itself is out of reach for the 'observer', who is preoccupied with the rules of observation and ready for the facts to change.

Institutionalism has subjective and objective aspects, differentially weighted by its representative authors, from Veblen to Karl Polanyi. Indeed if we place 'subjectivist' and 'objectivist' on a continuum, institutionalism might be situated somewhere in the middle.

The third category of theories are those that so to speak rise up from that middle point, escaping the antinomy of the subjective and the objective altogether. Historical materialism as developed by Marx (Chapter 8), transnational class and hegemony theories grafted on Gramsci's sketches for a theory of politics (9), and Post-Structuralism (10), are *synthetic* approaches. In various ways they interpret the objective world as shaped by subjects who in turn are moulded by the world in which they find themselves.

Marxism, based on Hegel's understanding of an evolving spiritual realm in combination with the material reproduction of life, owes its place to formulating such a developmental, or *historicist* approach. Post-structuralism on the other hand tends to emphasise the subjective side, to the point of denying any broader historical constraint. Yet it is paradoxically best understood in juxtaposition with the historical materialist tradition, which it confronts and complements where this tradition is weakest and least developed – the human psyche, language, and indeterminacy.

Rational Choice has sought to overcome the separation into different disciplines by generalising the notion of subjects engaged in utility maximising (the axiomatic criterion of 'rationality'). All other GPE theories pursue a trans-disciplinary strategy, but then, by finding ways round the naturalised axioms of neo-classical economics and bringing in an evolutionary, developmental, or historical dimension into the analysis. Indeed as Robert Cox has written, 'The real achievement of IPE was not to

bring in economics, but to open up a critical investigation into change in historical structures' (Cox, 2002: 79). This might well serve as a motto for the text presented here.

In theoretical matters, one cannot give all approaches equal weight, and they do not deserve equal respect either. Yet the spirit of the present text is that *all theories* contribute, negatively or positively, to an understanding of the world in which we live. No single theory has produced such a watertight 'coverage' of the object of inquiry that a different approach would not serve to highlight blind spots or weaknesses. To paraphrase Hegel, there cannot exist a truth that is separate from the totality of thinking and being.

There is another bias in the present text—the emphasis on Western thought. Euro-centrism is a persistent problem of social science. It has worked to enlist social science into a cultural imperialism that distorts understanding, both for those on the receiving end and those in the West. However, because commercialism and capitalism developed in the West first, social change assumed an incomparably more rapid pace than elsewhere. Hence, philosophy in all its aspects developed in the West most propitiously. That is not to say that Western society has the privilege of wisdom, on the contrary. The way of life developed as liberal society and capitalism poses an acute danger to human survival. But it does mean that the technical problems of theory formation were always most advanced and explicit in the West, and the history of thought has therefore inevitably been constructed around the history of Western thought.

In May 2007, I was invited to take part as an external assessor in a panel discussion of a new German textbook on International Political Economy at Heinrich Heine University in Düsseldorf, at the invitation of Maria Behrens and Hartwig Hummel. This event inspired me to rework the present text into the format it has now. For the version posted in the autumn of 2009, I have again rewritten parts of the text and reformatted it to make better use of the possibilities a web-text offers. These include, besides the links to general background of authors discussed, also links to works that can be consulted freely—the writings of Max Weber, Karl

Marx, and many others. During her stay at Sussex, Nicky Short of York University, Toronto, provided some key links in this respect. I have also included web-links to journal articles as sample readings, where possible from freely accessible sources. Andrea Lagna has provided assistance with some of these links.

The text has been developed for use in the Sussex GPE MA core course, Contemporary Theories of GPE (the course outline lists the e-readings of this text in addition to the print readings.) The critical enthusiasm of the successive cohorts of students that have passed through this course has been a key factor in keeping me on my toes. Meanwhile the text has also been adopted at other universities—one more advantage of having a web resource like this, but also reason to continue to scrutinise the text for accuracy and accessibility. Many weaknesses remain which still have to be repaired. I thank those who have made suggestions for further improvement, and will welcome more for use in future versions.

Kees van der Pijl
Brighton, September 2009

1

From Classical to Global Political Economy

Global Political Economy refers to those approaches to analysing world society which seek to overcome the disciplinary divisions of social science. These divisions originate in the late 19th-century separation of classical political economy into an *axiomatic* economics and an *empirical* sociology.

In this chapter, I first discuss how economics emerged as a separate discipline from the study of society. Secondly, we look at how sociology emerged by default to deal with remaining social problems. In section 3, I summarise a few relevant chapters of the history of philosophy in order to distinguish between subjectivist, objectivist, and synthetic theories.

1. POLITICAL ECONOMY AND CLASS CONFLICT

The core axiom of contemporary, 'neoclassical' economics is that all humans are by nature self-interested, utility-maximising subjects. The empiricism of sociology on the other hand implies an investigative (factual/empirical, historical or evolutionary) approach to its object, society. When this divide came about in the late 19th century, it was a response to two major changes in the class structure of the advanced capitalist countries: first, the growth of a workers' movement, and second, the differentiation, within the capitalist class, between an inactive stratum

of investors, the *rentiers*, and a managerial *cadre* entrusted with day-to-day operations.

From Political Economy to the *Critique* of Political Economy

The term 'political economy' applies 'economy' ('householding', from the Greek *oikos*, manor or household, and *nomos*, laws/rules) to the 'polity', the state (see Chattopadhyay, 1974). This was originally conceived very broadly, both in practice and in theory. 'Early students of political economy were polymaths who wrote on economics, politics, civil society, language, morals and philosophy,' write Jessop and Sum (2001: 90). Hence, 'the origins of classical political economy were *pre-disciplinary*' (Jessop and Sum, 2001).

Classical political economy emerged in the context of the dissolution of feudalism and the rise of commerce in Northwest Europe. The urban merchant class, or *bourgeoisie*, associated with this transformation (notably on the British Isles) wanted to emphasise that unlike the feudal nobility, its wealth derived from work, *labour*, not inherited property rights; just as it sought to distinguish itself from e.g., the Spanish conquerors of South America, by claiming that its business was *trade*, not violent appropriation (Stapelfeldt, 2001: 413). Thus emerged, respectively, *the labour theory of value*, and the notion of trade as *equal exchange* of items measured by labour time. Both were seen as *emanating from nature*.

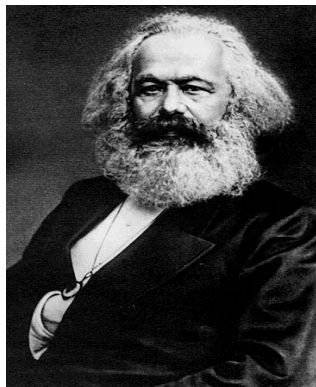
Adam SMITH (1723-'90), the chief figure in the Scottish Enlightenment, defined the economy as the field in which rationally self-interested individuals (a 'natural' given) entered into 'barter, truck and exchange' with each other (another natural trait); after which the 'invisible hand' of the market reconciled their individual pursuits into a system of common well-being. The baker bakes bread, Smith claims in *The Wealth of Nations* (1776), not because he is concerned that others may not have anything to eat, but because he will gain from it. However, the equilibrating effects of the market (given equal



exchange of values) turn his individual pursuit into a contribution to the general wealth.

Smith wrote in the era of the rise of the capitalist mode of production. Capital (the social force that drives forward the competitive exploitation of labour in production, and at some point becomes a manifest agency), had not yet become sufficiently evident; the market, 'circulation' (of goods, money, and people), was still the pivot of economic activity, and small-scale commodity production is Smith's horizon. The *division* of labour between small workshops is what concerns him.

[David Ricardo](#) (1772-1823), a banker himself, had the advantage of witnessing the further development of capitalism as machine production, credit, and so on. In his [Principles of Political Economy and Taxation](#) (1817) he analysed the process in terms of a class conflict between landowners, capitalists and labour over the distribution of the wealth thus generated. All this also arose from 'nature'; hence capitalism was here to stay, a permanent feature of modern society.

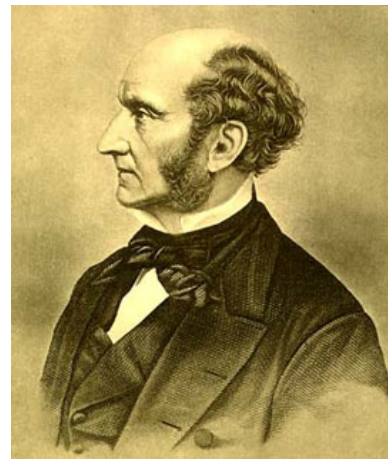


[Karl MARX](#) (1818-'83) challenged Smith's assumption of a fixed human nature striving for gain, and Ricardo's interpretation of capitalism as a natural, final order of things (cf. his polemic against the French anarchist, P.-J. [Proudhon](#); [Marx, 1847](#) in the [Marx-Engels Archive](#)). Marx's 'Critique of Political Economy' (the title of several works and notebooks, and the subtitle of [Capital](#)) aimed to demonstrate that the capitalist economy was not an eternal, self-equilibrating system. Marx brought with him the legacy of German idealist philosophy as well as the experience of class struggles in France. In exile in London, he highlighted a core contradiction in Smith's thinking—How, if all goods and services are exchanged at equilibrium prices, can there be a profit? Of course, temporary shortages and market swings may bring windfall profits, but an enduring rate of profit on capital would contradict the *law of value*, which holds that all items are exchanged at their value (a common measure of labour time to [re-] produce them).

Equipped with the Hegelian insight that contradiction is not a meaningless antinomy (which formal logic dismisses as impossible), but refers to a *dynamic*, a principle of movement, Marx argued that the exchange of labour power involves such a contradiction. It is exchanged at its value *and not* at its value. This is so because labour power has a *use value* that allows it to produce more (exchange) value than it receives itself. The wage is an equilibrium price if measured against what it needs to keep the worker alive, but the product of labour is usually more than that. Thus arises unpaid *surplus value*, which (after deduction of wages and other costs) appears as profit. Under the compulsion of competition this profit then is turned into investment funds again, and thus *capital* is reproduced as a self-sustaining social force, expanding through accumulation.

The capitalist mode of production in Marx's analysis produces wealth at one pole and poverty at the other. Yet at the same time, it weaves together all productive activity in the world into a single grid (what we now call globalisation), whilst profit-making degenerates into financial swindle (MEW, 25: 456-8; cf. [chapter in M-E Archive](#)). These arguments were absorbed by the emerging workers' movement in various parts of the world (here Marx's friend and alter ego, Friedrich [Engels](#), 1820-'95, played the key role). This was especially the case in late-industrialising countries like Germany, Austria-Hungary, and Russia. In France and England, Marxism was less important, but here too, social critics inspired the workers in their resistance to exploitation and achieve a socialist society.

Obviously, the spread of radical doctrines among the working population was a cause of growing concern for the propertied classes. The liberal thinker, [John Stuart MILL](#) (1806-'73), took this up in his tract, *On Liberty*, of 1859. In this work he appealed to the coercive powers of the state to ensure that such reservations would not lead to workers' agitation.



An opinion that corn-dealers are starvers of the poor, or that private property is robbery, ought to be unmolested when simply circulated through the press, but may justly incur punishment when delivered orally to an excited mob assembled before the house of a corn-dealer, or when handed about among the same mob in the form of a placard (Mill, 1929: 67).

However, meeting the working class challenge was not just a matter of penal law and the police. There also emerged an approach to political economy that was apologetic, justifying capitalism and private property against these critiques. Mill himself was an important figure in this movement. Marx called this strand of thought 'vulgar economy, which deals with appearances only' (quoted in Dobb, 1972b: 44n).

By then, even the classical political economy of Smith and Ricardo had become suspect. It had after all been their quest to discover the inner workings of the economy that allowed Marx to develop his critique of capitalism. In the 1870s, a new generation, the *marginalists* (named after their theory of value, cf. below and Chapter 2), therefore proposed a radically new interpretation of the economic process. [W. Stanley Jevons](#) (1835-'82), one of the proponents of marginalism, warned earlier that 'erroneous and practically mischievous' ideas about political economy were circulating and 'becoming popular among the lower orders'. Jevons therefore recommended that *the term 'political economy' be replaced by 'economics'* (quoted in Meek, 1972: 88n, 90n). Thus its objective-scientific character would be emphasised and any association with politics removed.

Redefining *value* was key in the transition. As Eugen [Böhm-Bawerk](#) wrote, Smith still had treated his subject in a spirit of neutrality, but his followers had failed to insulate themselves from class conflict (quoted in Dobb, 1972b: 44n). Classical value theory, claimed the American economist, Frank Fetter, had come 'under pressure of radical propaganda' (quoted in Ross, 1991: 177).

The Rentier Perspective and the Value Controversy

The second reason why political economy turned from an analysis of the

inner workings of the economy to an altogether new approach, resides in *changes in the organisation of capital itself*. In the capitalist economy analysed by Smith, Ricardo, and Marx, owners still managed their businesses themselves. In the course of the 19th century, however, as capital outlays grew and additional money capital was mobilised through stock exchanges, 'ownership became dispersed among myriads of passive shareholders' (Conard, 1988: 122). These *rentiers*, whose stock entitled them to a share in future profits (dividends), delegated the actual running of the business to a managerial *cadre*. They 'retained the legal authority to choose managers but neglected to exercise it because of the effort and expense that would be required to inform themselves and to mobilise their fellows' (ibid.).

It does not take much fantasy to understand that these rentiers would at some point become concerned that the economy was routinely understood in terms of the *labour* theory of value. The idea that wealth is the result of work and not birth, had been the common theme in all modern thinkers critical of the feudal order, from Hugo Grotius (1583-1645) and John Locke (1632-1704) to Ricardo. The labour theory of value assumes the existence of an *objective* measure of what is exchanged in the market. How else can we claim that market transactions are about the exchange of equivalents? Even Keynes, who in all other respects belongs to the later generation of economists, goes so far as 'sympathising' with the labour theory of value, the idea 'that everything is produced by labour' (he calls it a 'pre-classical doctrine'). Labour in fact should be regarded 'as the sole factor of production' (Keynes, 1970: 213-4). A contemporary economics textbook makes the same point by defining capital as 'a man-made factor of production' – which leaves only undeveloped land as the third (Lipsey, 1982: 356). Marx, however, by exposing the exploitation hidden behind the apparent exchange of equivalents, turned the labour theory of value against the class whose spokesmen had developed it first.

Not only did Marx use the labour theory of value to arrive at his concept of surplus value; the very idea that all the wealth we see around us, is the result of labour, became a source of annoyance to a growing class of idle capitalists. An owner-manager and, in the new context, a hired manager, could still be indifferent about this; they too worked. To the rentiers,

however, who are by definition *inactive* owners of capital, the labour theory of value was a positively unwelcome perspective.

John Stuart Mill already in the 1840s formulated a view which *turns away from seeing the economy as an objective process*. Mill analyses the remuneration of the capitalist in terms of *abstinence* (cf. his '*Principles*' of 1848). The capitalist *can* pocket the profit he makes if he wants, but no, he *chooses* abstinence, reinvesting his profit into capital and 'allowing it to be consumed by productive labourers for their uses' (quoted in Meek, 1972: 86). Thus the tables are turned. The owner is no longer an exploiter of workers, acting under the compulsion of competition, but a benefactor who 'gives work' (cf. the German term for employer, *Arbeitgeber*) to those who would otherwise be without income. A noble 'choice' for sure.

In the 1860s and 70s, the new iron and steel, railway and shipbuilding industries not only brought together workers by their tens of thousands. They also swelled the ranks of the rentier class which sought returns on its savings through the stock markets in which the banks mobilised part of the growing capital needs. These rentiers thus became part of a field of forces supporting the further development of the ideas pioneered by Mill which cast the owner of capital in a more favourable light.

Here we should remind ourselves that academic debates do not take place in isolation from society. Although there are always aspects that solely concern academics (e.g., concept formation and the internal consistency of theories), the general orientation of scientific work comes about in a social context. The imbrication of university life with society, whether through the social profiles of the management and professors or the student intake, creates a specific receptivity to particular propositions whilst censuring others. The intellectual merits of different theories play only a secondary role in such processes of selection. So when there arose mounting concern among the propertied classes over socialism and Marxism (whose adherents had few, if any, footholds in academia), the 'marginal revolution' could count on a warm welcome. Its celebration as pure science only added to its appeal among academics, who tend to like 'neutrality' (e.g. by abstraction and mathematisation) and do not want to be seen as ideologues.

The core of the new economics was *subjective value theory*. The idea is that at the root of how a capitalist economy operates, are *choices* made by those seeking to valorise their assets – whether labour, land, or money. All are equally valid ‘factors of production’ which seek remuneration through the impersonal mechanism of the market (Hunt and Schwartz, 1972: 16). *Their moral title to income thus becomes identical.*

The marginalists (named after the idea that people make such choices on the basis of whether the last, ‘marginal’ unit of what they want to buy or sell, still will add to satisfaction or income), developed an integral system from which the idea of the economy as an objective process with its own laws of motion and the despised labour theory of value have been removed. Historical change was written out of the script., too. ‘In classical economics, value had been defined by labour, the economy driven by capital accumulation, self-interest transmuted to public good by an “invisible hand”, and distribution governed by class relations,’ writes Ross (1991: 120).

With all these ideas under radical attack and often turned to radical purposes... the marginalist economists found a different way of conceiving the market economy. Basing value in utility, they viewed the market as a mechanism for the satisfaction of human wants and driven by consumer desires.

This became the core of an *axiomatic system* around which a new economics was to be constructed. We have the rational individual, who is *by nature* a self-interested, utility-maximising subject; s/he makes informed (rational) choices; these are validated by the market (or not); and finally (an echo of the law of value of classical political economy later challenged by Keynes) the law of supply and demand produces a general market equilibrium in the longer run (cf. [Michie et al., 2002](#)).

2. THE EMERGENCE OF SOCIOLOGY

Now it is one thing to obscure the role of labour from political-economic analysis and rename the field ‘economics’ to sanitize it for academic use. Quite another matter was the really existing, and growing, working class.

Here was a potentially explosive social problem for the existing order that could not just be held in check by axioms and the police. The working class toiled in the mines, shipyards and factories, lived in separate working class neighbourhoods, and developed a culture of its own in terms of family life, relaxation, and so on. Would it accommodate itself to bourgeois society, or revolt and overthrow it? It was to deal with this challenge that sociology emerged.

Sociology should not be seen as a Marxism in disguise, though. It does not see the workers as a historical force striving for a better society, but as a *problem* that should be dealt with in an educative way, flexibly but with the ultimate aim of *integrating* labour into the 'ideological community' of bourgeois society (Therborn, 1976: 224-5). In such an endeavour, one cannot proceed from axiomatic assumptions about a fixed human nature. Sociology instead is characterised by a *flexible, investigative* approach (including a *reformist* attitude, a willingness to adjust current practice to make things work). The theory of knowledge that developed along with it, was therefore not a deductive system built around the axiom of the self-interested rational individual, but as we will see in Chapter 3, the *positivist* philosophy that proceeds through unprejudiced empirical testing of hypotheses about how people *might* behave.

In the same way that axiomatic economics responded to specific needs and concerns of a social field of forces in which private property was the paramount vantage point, positivist sociology developed as a more or less organic theory for the class of managerial cadre. We should not approach this mechanically, as if thought is rigidly determined by social position. But just as axiomatic economics can be understood as an organic form of thought from the point of view of the rentier, and will be encouraged and rewarded by those sharing that viewpoint; so sociology is typically a *managerial* approach. The one is concerned with private property and the entitlements deriving from it, as principles from which no departure can be tolerated; the other faces a living counterpart, the real working population ('class' for sociologists is a matter of classification /stratification). This means it has to be empirical, adaptive, and non-dogmatic.

Just as the new economics beginning with Mill and Jevons, sociology developed from an early founding figure (Auguste Comte, 1789-1857, cf. Chapter 3) into an established discipline in the later 19th century. Subjectivist economics emerged in Britain and Austria; sociology in France, soon followed by Germany and the US. The sociologists concerned with social integration and therefore operating as 'organic intellectuals' of the managerial cadre also received the blessing of reformist bourgeois politicians. Woodrow Wilson, the visionary American president who led his country into the First World War under the banner of 'Making the World Safe for Democracy', in 1920 became one of the vice-chairs of the newly-established International Sociology Institute; the president of Czechoslovakia, Thomas Masaryk, was the chair (Therborn, 1976: 142).

Social Discipline and the Disciplinary Organisation of Academia

Sociology was not the only response once economics was lifted out of the social sciences as a separate, axiomatic-deductive doctrine of consumer/investor choice. Other aspects of social life were given their separate disciplines as well. Sociology however holds pride of place because it was accompanied by positivism, thus offering a straight (empirical-investigative) counterpoint to axiomatic economics.

It can only be established in a detailed investigation how the other social science fields developed into disciplines, concerned among other things with establishing the boundaries separating them from each other. Originally these disciplines, once they turned from domains of talented amateurs to defining themselves as sciences, tended to adopt the empirical orientation of sociology. More recently, the Rational Choice perspective of axiomatic micro-economics has begun to penetrate the other social sciences along with the further penetration of capitalist market discipline in society at large. Here I can give only a cursory overview.

Classical political economy as we saw was based on a comprehensive theory of society. Yet even the most axiomatic and dogmatic disciplinary understanding of one aspect of society, in this case economics, will have to adhere to certain assumptions about those aspects of social life not formally accounted for in the discipline. However dedicated an economist

may be, s/he will have to have a potted anthropology, psychology, political science and international relations ready to be able to make a complete argument about the economic process. Economists proceed from an assumed 'economic man' invested with a fixed anthropology—individualist, self-interested, a-moral. A psychology, too, is assumed by economists; Keynes' 'propensities' to save, invest etc., are psychological categories put to work in an analysis of economics. But it is a psychology reduced to a stimulus-response schema constructed on the premises of the anthropology just outlined.

This utilitarian anthropology of economics was transferred to other domains of social science early on. To quote Jevons again, 'The general forms of the laws of economics are the same in the case of individuals and nations' (quoted in Meek, 1972: 90). In other words, the relations among nations (states) have no peculiar characteristics that would suspend the axiom of rational self-interest postulated by marginalist, micro-economic theory.

At the risk of over-simplification, one might say that whilst economics provided the supreme ideological discipline, the newly established, adjacent academic specialisations were typically *concerned with maintaining actual discipline*, on the assumption that society is in fact not, or not yet, in conformity with the assumptions of micro-economics, and therefore must be managed in a flexible fashion.

If I just sum up,

- *Psychology* emerged around the turn of the century as a medical practice dealing with the mental problems generated by an urbanising, industrialising society (and the need to control women and youth as the authority of the father was eroding).
- *Anthropology* grew out of the administrative inquiry into the habits of tribal communities by civil servants working for the British and French colonial authorities in Africa and Asia, for the US Federal authorities on the Frontier, or for tsarist Russia as it expanded along the Inner Asian frontier.
- *Political science* developed from the gentlemanly pursuit of

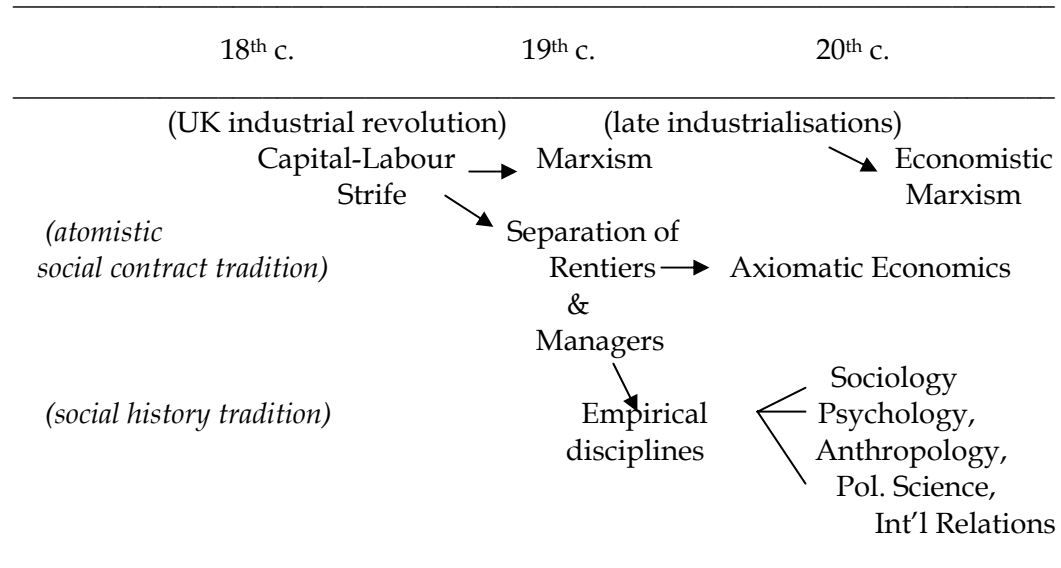
thinking about the ideal society. Once sociological 'discipline' began to be imposed, it evolved into a science basically concerned with electoral systems and outcomes.

- *International relations* (IR) of course requires our particular attention. Originally a doctrine of global governance on the principles of free trade and peace, with strong legal overtones, it relied on political geography and its concern with borders when faced with reordering the map of Europe after World War One. In the 1930s, however, liberal global governance projected by the English-speaking West prove largely illusory. As E.H. Carr (1892-1982, cf. Chapter 4) argued in the 1930s, states like Germany or Japan, which were deprived of colonies and spheres-of-interest, could not possibly abide by the rules laid down by the victors, which ensured them privileged access to the entire globe. IPE emerged in the early 1970s, when the monetary crisis followed by the first oil price hike, and created a global credit economy plunged into the debt crisis after 1979. Uneasily perched in between two possible positions in the disciplinary academic structure (as a sub-field of IR or as a comprehensive, critical alternative)

In Figure 1.1 below, these summary characterisations are presented in a diagram, with all the limitations of a schematic representation. Axiomatic economics developed most propitiously in the Anglophone world; here it drew on an older tradition of atomistic, social contract theory. The other, originally managerial, 'disciplines' built on a European Enlightenment strand that was more respectful of social bonds and history (Seidman, 1983: 6-7).

The key divide is between the Holy Grail of economics, built around an axiomatic doctrine of the self-interested utility-maximising individual; and a series of managerial, empiricist-positivistic 'social sciences' for which sociology provides the master format. As noted, Rational Choice, inspired by micro-economics, has invaded these disciplines along with the deepening marketisation of society at large. 'Economistic' Marxism refers to a Marxism which has relapsed into a theory of economic causation. For an overview, cf. Garnsey, 1981.

Figure 1.1. Capital/Labour Strife and Rentier/Managerial Differentiation at the Origin of Contemporary Social Science Disciplines



The GPE approaches discussed in the present text, apart from the classical divide between axiomatic economics (Chapter 2) and Marxism (Chapter 8), all are attempts to reconnect some of the separate disciplines to the analysis of society (e.g., Weber seeks to recombine sociology and economics, institutionalism seeks to bring back anthropology into economic analysis, and so on) *All* theories discussed here are ‘neo-’ versions literate about some of their own limitations and the existence of alternatives. Even if they will cover their obvious weak sides by taking in aspects of other approaches, it still helps, however, to see them in light of their philosophical antecedents.

Let me conclude by giving a summary overview of these antecedents in order to develop a division into three approaches—subjectivist, actor-oriented theory; objectivist, structuralist theory; and synthetic, historicist theory.

3. PHILOSOPHICAL ANTECEDENTS

The subjective turn in economics at the end of the 19th century coincided with a broader movement in academia away from the ambition to completely understand the world as an objective reality, existing independent of human preferences. In psychology, but also in natural science, the idea that reality is elusive, impenetrable, and even *ultimately unknowable*, gained ground. Often this was concluded on account of inherent limits to observation and measurement. This is also a reminder that we should never *reduce* the marginalist turn in economics to the rise of a rentier class in the face of the working class movement.

Both the ‘subjective turn’ at the end of the 19th century, and the tentative reverse movement that manifested itself in the radical student movement of the 1960s and 70s that recouped some terrain for historical materialism, relied on trends in the history of thought that go back to the beginnings of Western philosophy, notably the Greeks. This leads us to the *meta*-theoretical considerations (‘meta’ from the Greek for ‘beyond’, or ‘above’) that have evolved along with the growth of social theory. They contain the assumptions on which theories are dependent, and ‘decide’ key aspects of what a theory takes into account, and what it does not.

Ontology: Materialism and Idealism

Meta-theoretical insights are the field of philosophy. Philosophy denotes the knowledge about the foundations of existence and about our capacity to think about them and produce knowledge. For our purposes, two sub-fields of philosophy stand out as particularly relevant, *ontology* and *epistemology* (others are ethics, aesthetics, and the philosophy of history, which we will occasionally touch upon).

There is a third angle besides ontology and epistemology from which one may interpret theories and place them in context—the *sociology of knowledge*. This is not a chapter of philosophy but of social science itself. It deals with the question, Which were the personal and/or historical circumstances and peculiarities which may explain why a particular theory emerged at the time it did? I will occasionally refer to the aspect of

the sociology of a particular theory because it often helps to understand its concerns, potential and limitations.

Ontology, then, is concerned with the nature of being. Of what do we think the world is ultimately made up—of atoms, or of a spiritual essence? Answers to this question lead to conclusions about the nature of human agency ('will', 'passion', 'action', etc.) and its relation to the world as it is (History with a capital 'H', 'structure', 'system', and so on), and about that relation per se ('unifying reason', 'laws'). Is there room for a notion of the *objective*, which exists irrespective of the intentionality and mentality of historical humanity (which implies that we adopt an ontology of *realism*)? Or is everything that we as humans experience or know, mediated by our knowledge to the point where questions about the existence of things *not* mediated by human knowledge, become irrelevant?

The Greeks of antiquity were the first to explore, in ways unparalleled by other civilisations, the nature of a 'reality' *distinct from the spiritual universe* (the world as ruled by ancestral spirits, demons, and gods). This was made possible by a unique combination of closeness to nature, the absence of a tightly organised religion including a priestly class guarding orthodoxy, and their position in the flow geography of civilising influences. Although there were certainly instances in which philosophers were punished for sacrilege (Socrates was condemned to taking poison), there was sufficient freedom to explore the world as such and keep a plurality of schools of thought alive. The Greeks were the first to develop philosophical discussion as a pastime (menial tasks were performed by slaves).

The Greek contribution must be seen as the result of the intensive interaction between different centres of civilisation, not as something arising from an autonomous genius. There were profound influences from Egypt and (via Asia Minor) from Mesopotamia, just as Mesopotamia itself absorbed influences from India. Indeed the circumstance that the Greeks borrowed the names of their gods from other civilisations, and that these did not mean anything in Greek, suspended the original identity between, say, a force of nature or an element (sky, earth, wind, sea, etc.) and the particular spirit supposedly animating it. Zeus, the chief Greek god

(Jupiter of the Romans), comes from Indo-European ('Aryan') *Dyaus-Pitar*, which means (and *is*) the sky, but 'Zeus' or 'Jupiter' are proper names, nothing else. So they *represent*, as a symbol, a sign, an element (the sky in this case). 'The Olympic deities are no longer directly identical with elements, but signify them', write Horkheimer and Adorno (1990: 8). 'The gods are distinguished from material elements as their essential concepts. From now on, being divides into the *logos*... and into the mass of things and creatures without.'

The separation between natural substance and its signifying, conceptual representation, allowed the Greeks to begin distinguishing between the primordial existence of nature, and the world of spiritual forces hovering above it. This produced the two classical positions of ontology (theory of being) – materialism and idealism.

Materialism holds that the world is an emanation of 'matter', nature. This position was originally represented by Democritus (b. ±465 BC). In Russell's rendition (1961: 89), Democritus held that 'the soul is composed of atoms, and thought is a physical process. There is no purpose in the universe; there are only atoms governed by mechanical laws'. This is one way of expressing the idea that our existence is entirely natural, like the natural world around us. In the Greek lineage, the most famous materialist was Aristotle (384-322 BC), the teacher of Alexander 'the Great' of Macedonia; his legacy was revived in the Middle Ages, first by Arab scholars (cf. below). This reception left a materialist imprint on all modern (social) science in that 'the models of the social world... invite us to look through history to a presumably natural process beneath,' Ross notes (1991: xiii).

Idealism holds that the world is ultimately a spiritual process (irrespective of whether this spirit is divine or human). It is also 'nature', but nature would not have any direction or meaning if not seen through a spiritual prism. Idealism has another Greek philosopher, Anaxagoras (500-428 BC), as its earliest representative. Anaxagoras maintained that mind, spirit, is the source of all motion. It governs all forms of life, being 'infinite and self-ruled, and [it] is mixed with nothing.' All other substances, however, are composites of opposites (hot/cold, white/black

etc. — Russell, 1961: 80). The greatest of the Greek idealists was Plato (427–347 BC), who among other writings, recorded the dialogues of his teacher, Socrates.

Out of a debate among the Greeks on how the mind postulated by idealism actually moved, and how it relates to the world of opposites, emerged the notion of *dialectics*. Ascribed to Socrates, dialectics holds that ideas advance through question and answer, dialogue. Confucian Chinese philosophy (which dates of roughly the same period as Socrates) is also idealistic and dialectical—the higher spiritual principle there is called *li*, and it governs the mutually penetrating opposites in elementary matter, *qi*.

The Subject, Rationality, and Epistemology

The question of what the world is made up of, and whether it is an integral natural process (materialism), or the work of a spirit animating and governing it all (idealism), always implied the question of how human knowledge is able to make this distinction to begin with—is what we know determined by natural processes, or also animated by a spirit? Here we are dealing with issues of *epistemology*, the branch of philosophy concerned with knowledge. Clearly, ontology is a limiting condition of epistemology. In a materialist perspective, what humans do or think is just one of the processes of nature; idealism on the other hand places the spirit on a separate plane altogether, as divine or otherwise metaphysical (in that sense extent materialism and idealism also *are* epistemologies, too, even if they are primarily terms referring to ontology).

As with the advances in thinking about ontology, crystallising in ancient Greece, it was the *encounter* between different civilisations, rather than one on its own, which in the later Middle Ages brought about major breakthroughs in the thinking about how knowledge is achieved. The interactions between the Islamic world, Christianity, and Judaism proved especially fruitful in this respect; the Iberian peninsula (Muslim *el-Andalus*, reclaimed by Christianity between the 11th and 15th centuries) was the key frontier zone. *Monotheism* played a crucial role in this encounter.

Monotheism raises the question, If the one God is really all-powerful, towering high above nature, but salvation is achieved by conscious belief, doesn't that imply that humans are able to make certain choices autonomously; don't they possess a measure of free will? In the 'clash' of monotheisms, this uniquely triggered the debates from which emerged modern epistemology. As Collins writes (1998: 391), 'the issue of free will arose distinctively in the West, not in India or China, and with it the nature of causality and determinism'. All monotheism necessarily proceeds from an idealist ontology, but Arab court philosophers in the late Middle Ages revived the materialism of Aristotle. Aristotle had argued (against the idealism of Plato) that ideas cannot exist separately from matter. In the 'Porphyrian Tree', Aristotle presents an ontological schema in which what we now call 'rationality' (from the Latin *ratio*, 'measure'), is placed in a hierarchy of being as an aspect of sensate life (*Fischer Lex. Phil.*, 1967: 215).

Rationality denotes ordered existence, a law-like logic (e.g., cause and consequence). This rationality can extend to every aspect of being (say, gravity), although it can only *manifest* itself as human thought. The question is then whether it is also subject to human will—interpretation, preference, choice—and hence may take a *subjective* form that is not (or not entirely) determined by the overarching 'being'. If all that exists ('being') is ordered by God, there is no problem in assessing the role of the human mind in the larger scheme of things. But once we assume that human subjects have a particular contribution to make in this domain (however minimal, or only consisting of making mistakes!), the concept of rationality or Reason and its relation to reality becomes problematic.

Avicenna (bastardised for Ibn Sina, 980-1037), who worked at the court of the Sultan of Bokhara in today's Uzbekistan, was the first to tackle this issue. Avicenna took Aristotle's distinction between *essence* (the inherent quality of things) and *existence* (the form in which they manifest themselves), and added a further distinction, *within* existence, the one between necessary and non-necessary being. So there can be aspects of existence which are not necessary but not impossible either (Collins, 1998:

419). This also suggested a measure of freedom in thinking about the world.



Avicenna's conclusions were rejected by [Averroës](#) (Ibn Rushd, 1126-'98), a native of el-Andalus. Averroës attacked not only Avicenna but also the latter's Islamic critics who stuck to the idea that everything is decided by God (i.e., there can be no free will or free thought departing from God's will). For Averroës, the apparently contingent in thought and existence is not to be explained by the distinction between necessary and non-necessary being as developed by Avicenna. Instead he argues that *all* forms of being emanate from elementary matter, which has no form of its own. Its essence is *potential*, it can acquire any form; but to do so it must become three-dimensional first (this he claimed happens as a result of God's light, which 'actualises matter and takes part in every form it adopts' – Park, 1989: 131).

This principle also applies to the thinking subject. Through perception, the subject can connect ('conjugate') its own bodily-mental materiality with external material reality. 'If a being were free from matter,' Averroës argues in *De Anima*, iii (as in Tornay, 1943: 283), 'its intellect would be identical with the intelligible object altogether', i.e., the possibility of contradiction would be excluded. Thinking thus is made truly subjective, although it rests on the same elementary material basis as the world outside the subject. Averroës' works, translated into Latin some thirty years' after his death, created a shockwave in Christianity. In the Islamic world, however, the ideas of the court philosophers were rejected as blasphemy as the splendour of the Abbasid age (until 1258) waned and a stagnant society resisted speculative thought.

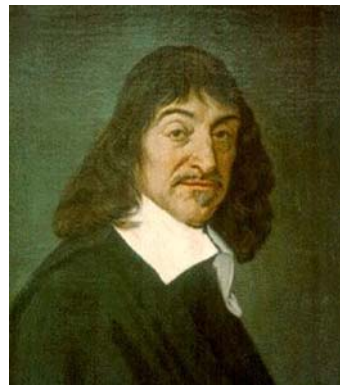
Once the idea of a thinking subject, one that may depart in its thinking from the world that exists outside the mind, had established itself, a major question arose: *Is there a rationality to the world as it is, is it inherently,*

'objectively' rational; or is it the actually thinking part, humanity, that applies its 'subjective' rationality to the world, intellectually and practically? In the course of the 17th century, in the aftermath of the wars of religion, four major strands of thought on this issue crystallised in Northwest Europe.

(1) The *materialist* position was associated at this point with Francis Bacon, Lord Chancellor of England before he fell from grace (1561-1626). It was influenced by the new astronomy of Kepler and Galileo; Bacon himself was a gifted scientist too. Bacon concluded that nature as such is rational. Thought, emanating from nature, reflects this rationality, but it is easily distorted by misconceptions (the 'doctrine of the idols').

(2) In the (*rationalist*) *pantheism* of Baruch de Spinoza (1632-'77, a Portuguese Jew who found refuge in the Dutch republic), everything (*'pan'*) is pervaded by the spirit of God (*'theos'*), hence rational (cf. theses from *Ethics*, 1675). As to the subject, it is 'free', but only *to the extent it follows the dictates of Reason*, and thus escapes the 'passive emotions' (McCarney, 2000: 68). The emphasis is again on the 'objective' side.

(3) True epistemology makes its appearance with the *rationalism* of the Frenchman, René DESCARTES (Latinised, Cartesius, 1596-1650). Descartes placed the rational human subject to the left of an imaginary line, facing the *objective* world (the body, the world, nature, the cosmos) to the right. The human mind uniquely has the capacity to think, indeed this is what is constitutive of humanity; in Descartes' famous aphorism, *cogito ergo sum*, 'I think, therefore I am'. Endowed with the capacity to think, conceptualise, register facts etc., the rational human subject faces the objective world, in Descartes' terminology, the *res extensa* ('extended things'). That world, beginning with the human body (Descartes claimed that the boundary between subjective rationality and the *res extensa* is the pineal gland in the brain), is characterised by its occupation of space, and it obeys mechanical laws. These can be grasped by the human mind, but it must to that end negotiate the dividing line between the subjective world of mind and the



extended, material world of non-spiritual nature (cf. [Discourse on Method](#), 1635).

This was a momentous step, in the spirit of the age—the new, bourgeois individualism. However, by positing *the subject/object divide* in this way, Descartes also created a problem that has remained the central axis of debate in philosophy (Bartels, 1991), because if rationality exists on both sides of the divide, what explains the tension between them—mistakes, ignorance, ‘irrationality’?

(4) English *empiricism*, finally, emerged as a result of the conditions under which the Church of England allowed scientific inquiry. Everything may be investigated, as long as God and the soul remain the preserve of the Church. Thus pious scientists like Newton could concentrate on the world of physics without bothering about theological implications. It also gave an *agnostic* (from the Greek for ‘not knowing’) twist to the materialism pioneered by Bacon and his one-time assistant, Thomas Hobbes. With John Locke, the materialist ontology was further dissimulated and replaced by a *naturalisation* of society. The subject, too, was made more ephemeral, ‘thinned’ to a receptacle of sense impressions; in Locke’s words, ‘self is not determined by identity or substance’ (quoted in McCarney, 2000: 68; note the contrast with Descartes!). Both Locke and the Scottish empiricist, [David Hume](#) (1711-’76), avoided claims about rationality (whether inherent in the mind, or inherent in the world and limiting the freedom of the subject). They assumed an equally naturalised, unconstrained subject, open to sense impressions building up into knowledge; or, actively, *free to choose any course of action*. As we will see, this heralds neo-classical economics and the Rational Choice approach discussed in our Chapter 2.

Figure 1.2 depicts the key categories of ontology (the theory of being) and those of epistemology (the theory of knowledge) (cf. *Fischer Lex. Phil.*, 1967: 56). Of the ontological categories, a few examples illustrate what we have to think of here. Note how the original Aristotelian distinction between essence (the deeper, inherent quality of things) and existence (the forms in which they become manifest) can be approached not only from the objective side, but also from the subject’s. The result can depicted, as

far as ontology goes, as divided in three subfields. In the domain of epistemology, however, Descartes' intervention left a thick vertical line (S/O) between the subject and the object. So in terms of epistemology, we get *four* columns: essence, true knowledge, the inner nature of the mind; perception; phenomena; truth. Gaining knowledge (1) consists of the subject *relating* (2) to the object, *via* the aspect of the objective world that is being perceived, evident—i.e., its external, phenomenal side (3), and reaching (or not) ultimate truth (4, ideally linked back to 1).

Figure 1.2. Ontology and Epistemology After the Cartesian Break

Subject					Object						
O	N	T	O	L	O	G	Y				
Essence 'Drives' self-interest, sociability,...			Existence Practice competition, cooperation, struggle, ...			Essence Being matter, spirit...					
(1) True Knowledge		(2) Sensory Perception	(S/O)	(3) Phenomena		(4) Truth					
E	P	I	S	T	E	M	O	L	O	G	Y

We will use this figure in each chapter to allow comparison of the ontologies and epistemologies of the different theoretical traditions.

The four positions concerning the primary locus of rationality as developed in the 17th century, were synthesised and taken further by classical German philosophy at the turn of the 19th. Kant and Hegel are the major figures here.

[Immanuel Kant](#) (1724-1804, cf. our Chapter 4), aspired to synthesise Cartesian rationalism and British empiricism. He claimed that the human mind, (1) in Figure 1.2, is endowed with certain inborn 'categories' (time,

space, causality) which allow it to bring order to perceived (2) empirical phenomena (3). However, the essence of being (4), (the *Ding an sich*, the thing in itself), will always remain beyond the human grasp. To answer abstract, fundamental questions of being that involve aspects that cannot be observed empirically, the 'categories' lead to contradiction; they must be answered by morality and religion. Kant is usually classified as a *subjective idealist*.

It is a general characteristic of subjectivist theories that *the world outside the mind is ultimately unknowable; just as in practice, it is subjects (individuals or collectives acting as a unit) which bring order to the world.*

G.W.F. Hegel (1770-1831), on the other hand argued that the world as such is rational, although of course it is the subject(s) through whom that rationality is brought to light and is articulated. This comes close to Spinoza (as Hegel famously put it in his *Philosophy of Right*, 'The Real is the Rational', Hegel, 1972: 11). There is nothing unknowable about the true nature of the world, because that is as much a product of the mind as anything else. Also, the mind is not something in anyone's head either; it is a collective, a 'we' instead of an 'I', because humans realise their humanity only in their interaction with each other. What the empiricists (and Kant too), failed to see was that thinking develops a world of its own, a human civilisation which at some point comprehensively grasps the objective rationality of the world (Hegel, 1923: 87).

As we will see at length in Chapter 8, what was new and revolutionary in Hegel's approach was that he conceived of philosophy as a historical process, a process of *becoming* that paralleled the real course of human history. Hegel is an *objective idealist*, because he sees the source of rationality in the 'World Spirit', a collective mind which through successive civilisations (China, Greece, Rome, and finally, post-Napoleonic Europe), brings about a world in which the inherent rationality of the world has been realised (and laid down as laws of the state). This ushers in a world of rational freedom.

Let me now, by way of conclusion, sum up what has been argued so far and take it to the point where we can situate the theoretical traditions

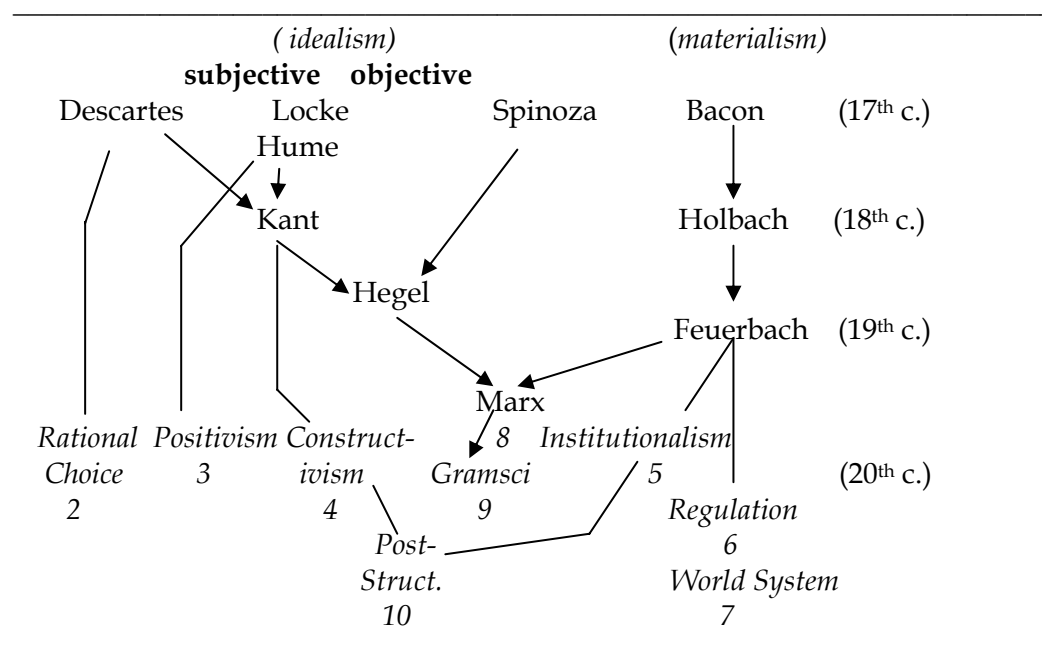
discussed in this text in the context of the history of thought (as in Figure 1.3 below).

- The Greeks distinguished between materialism and idealism as ontologies. Today we do not use this distinction in this straightforward sense, because 'matter' is no longer considered in physical terms as before. In Marx's *historical materialism*, it is claimed that the distinction has been overcome (on the basis of Hegel's historicism). Marxism holds that human society develops a spiritual world of its own in the process of exploiting material nature in the labour process.
- Epistemology became an explicit subfield of philosophy in 17th-century Europe. The distinction, developed from monotheistic assumptions in the Middle Ages, between the human subject and its (measure of) free will (and hence, autonomous cognition), acquired its classical form with Descartes. All philosophical development henceforth was concerned with the problems created by the subject/object divide: rationalism, empiricism, but also dialectics, positivism, and pragmatism.
- From the historical evolution of the materialism/ idealism divide in ontology, and of that between empiricism and rationalism which sometimes coincides with it, sometimes cuts across it, we may distinguish between theories in any given field (here GPE), as *subjectivist*, actor-oriented; *objectivist*/structuralist; or *synthetic-historical*.

This leads to the following figure of the main philosophical lineages (arrows), and the (tentative) lines that can be drawn to the theoretical traditions (numbers refer to the chapters). Of course the connections to the theories require more detailed explanation; there is no *straight* line from Descartes to Rational Choice for instance. Still the axiomatic economics which we will return to in Chapter 2, and which as we saw earlier, was lifted out of classical political economy, is an example of a (subjective) rationalistic approach; its arguments follow a procedure of *deduction*, i.e., from one or more prior axioms, further logical inferences are made (e.g.

using mathematics). The managerial sociology that was left to deal with problems not covered by Rational Choice, and which we will look at in detail in Chapter 3, on the other hand is empiricist. It uses *induction*, i.e., it gathers data for different 'variables' which are then correlated, e.g. statistically. Romanticism and theology were crucial mediating factors in the connection between Kant and constructivism (Chapter 4), they use *interpretation*, and so on. Marxism was a crucial breaking point because it forced (mediated by the impact of the socialist workers' movement) all other positions to rethink their premises.

Figure 1.3. Genealogy of the Main Theoretical Positions in GPE



On the basis of the foregoing, then, I distinguish three classes of GPE theories (or for that matter, any other social science field).

Subjectivist, Objectivist and Synthetic GPE Approaches

I.

The first category of theories proceeds from an ontology of subjective rationality, that is, in one way or another, they assume that social

development has its origin in, and is continually being reproduced by, subjective human action. Given this ontology, the epistemology underlying these theories is subjective too (this follows from the ontological presumption).

Rational Choice theories, derived from axiomatic marginalist economics, are obviously based on an ontology of individual subjective rationality (self-interested maximisation of utility). Their epistemology is entirely deductive, based on arguments derived logically from the core axioms, often in mathematical form. This is a subjectivist theory essentially on account of its ontology.

Positivist sociology in this study is also classed under subjective theories, although this can be legitimately contested. Positivism combines a rationalist aspect with empiricism, claiming that empirical science produces a stock of tested knowledge allowing society to order the social and natural world around it. Although it originally implied a materialist ontology, the agnostic perspective on reality developed in the Anglophone world, stricter test criteria, and the narrowing of what constitutes science, over time produced a truly subjectivist approach. *Neo-positivism* as an epistemology is 'methodologically individualist' in this sense.

Interpretive theories evolved via (romantic-theological) hermeneutics and the neo-Kantians to [Max Weber](#) (1864-1920), the German sociologist, and contemporary constructivism. Here the objective world is claimed to be unknowable, and rationality is what subjects bring to it, 'reality as a social construction'. In Weber, instrumental, goal-oriented rationality of the Rational Choice type is compounded by *values* (say, the Protestant Ethic, or the greater good of mankind); its epistemology is hermeneutic, based on introspection. Here the epistemology, as in Kant's original understanding, is a limiting condition of the ontology; in some radical versions of constructivism, all 'reality' is imagined.

Institutionalist theories are based on an ontology which holds that people act out of habits encrusted into institutions. What people consider rational is a matter of what they are used to seeing as normal. In this, originally

American, tradition, biological concepts of evolutionary adaptation account for the aspect of change; its epistemology is that of a no-nonsense empiricism, sometimes a recognised materialism (which in the USA was stronger than in England, although equally suspect politically). It draws on anthropology and approximates objectivist structuralism in the case of the work of Karl Polanyi (1886-1964). Whether we can still rank this as a subjectivist theory, is open to debate; perhaps this approach comes closest to Descartes' original position of a subjective epistemology coupled to a materialist ontology.

II.

The second category of theories are those theories which do not proceed from an ontology of rational/value-rational/habitual subjects, but see subjective action as an aspect of the workings of large-scale *structures* or patterns of political-economic relations. 'Rationality', the cause /consequence and other law-like deterministic relations, is here primarily located in the objective sphere, as self-regulating mechanisms or (quasi-biological) organisms. This latter term belongs to the broad class of *systems theories*, which ascribe (if conceived in their ontological aspect) qualities such as growth, adaptation, and self-regulation to social complexes.

Regulation and *Regime* theories might also be placed together with institutionalist theories as an intermediate category altogether. Although from very different origins, these theories combine actor-orientation with (objective) systems aspects. Here I will treat regulation and regime theories as examples of 'weak' systems theory, leaving a wide measure of actor autonomy. As with institutionalism, their epistemological claims are modest; since all theories which proceed on the assumption that the global political economy obeys an objective logic that operates as a constraint on agents (individual and collective), their epistemology somehow suggests the need for a *critical* empiricism as a means of interrupting the blind workings of the system. But in regulation theory (which can also be seen as a version of economic Marxism) and regime theory (which has also been developed from a Rational Choice angle), the actors (classes and states, respectively), are seen as retaining a substantial measure of autonomy.

World System and *Long Cycle* theories on the other hand are examples of strong systems theories. Here the global political economy is seen as basically forcing the hand of all those acting in its context. A critical epistemology here is conceived as a narrow road out of fatal determinism, if only to avoid the traps of underdevelopment and war, respectively. The materialist-structuralist assumptions of these theories take them close to economistic Marxism (theories of economic causation).

III.

Finally we look at those theories which aim to transcend the subject/object divide. In that sense they are synthetic, and historical. Indeed to the extent we are seeing an attempt to overcome a contradictory relation between subject (individual, class, state etc) and object (other society, nature), we must assume here that *rationality is historical* (or at least, variable, contingent).

Historical materialist theories take Marx's critique of political economy as their starting point. Because of their reliance on this (most developed) legacy, economic causation of the basis/superstructure type often replaces a more comprehensive historical-dialectical approach. Historical dialectics means that subjects (classes, states) 'make their own history but not in circumstances of their own choosing' (because of the 'objective' circumstances they have created before). Dialectics as an epistemology (interpreting historical change in terms of contradictions at successive levels of abstraction) was Marx's inheritance from Hegel. Very often we will see authors claiming to adhere to a historical materialist approach lapse again into a (naturalistic) materialist one, coupled to a critical-empiricist epistemology (as in the strong systems theories under II).

Transnational class theory as an approach to GPE seeks to focus on the political aspect. In the footsteps of [Antonio Gramsci](#) (1891-1937), it has certainly developed a historical (historicist) approach, but not always a dialectical one.

Post-structuralist theories, finally, are usually based on an agnostic ontology, albeit born not out of respect for religion but derived from an assumption of perennial change that makes any claim to the objective

nature of reality elusive. Their epistemology combines many of the subjectivist strategies like hermeneutics, pragmatic empiricism, as well as new ones like deconstruction.

2

Micro-Economics and Rational Choice

The axiomatic economics that emerged in the late 19th century has gradually broadened its sweep across the social sciences as Rational Choice theory. Its principles were well spelt out when Finn Kydland and Edward Prescott were awarded the 2004 the Swedish Central Bank's 'Nobel Prize' for economics for their work on business cycles. The *Financial Times* (12 October, 2004, emphasis added) summed up their contribution as follows:

The two professors were the first to ground the theories of business cycles in *rigorous microeconomic theory*. This led to a body of work called "*real business cycle*" theory. They explained a business cycle as the equilibrium outcome of *rational decisions made by millions of perfectly informed individuals*. Though the *predictive power of the model was weak*, it encouraged the economics profession to ensure that subsequent theories of business cycles also had strong theoretical foundations.

The terms emphasised here—'rigorous'; 'real'; 'equilibrium outcome'; 'rational decisions'; and 'perfectly informed individuals' all point to the strand of thought we are looking at in this chapter, *micro-economics*, the economics of subjects (individuals, households, corporations, states) choosing to consume, save, or invest. True, 'the *predictive power* of the model was weak' (that is, things usually don't happen this way). But since the *prescriptive power* of neoclassical economics is momentous—market freedom must not be interfered with and its scope must be widened

wherever possible—no one can afford to ignore it. Of course, some of the shine of this tradition has evaporated in the financial crisis that exploded in 2008, but its hold on economic common sense endures.

We first look at the marginal revolution in economics. In section 2, we turn to Keynes, who in the 1930s argued that the subjective turn had in fact been incomplete because it left in place the classical suggestion that a market economy is self-equilibrating (by the ‘invisible hand’, the law of value, supply and demand)—which it isn’t. Therefore the state must step in, on the one hand to ensure full employment; and on the other, to suppress the role of the private investor, whose ‘prudence’ had led the economy into the Great Depression. This provoked a virulent response from a neoliberal strand of thought resisting the idea of a protective state role in the economy on the grounds that this would bury ‘freedom’. The axiom of the freedom to choose then generated the broader notion of Rational Choice. In section 3 we look at how Rational Choice accounts for social interaction by its mathematical representation as *games* between utility-maximising subjects.

1. THE MARGINAL REVOLUTION IN ECONOMICS



The ‘marginal revolution’ occurred in the 1870s. It is associated with the names of [Stanley JEVONS](#) (mentioned already), [Carl Menger](#) (1840-1921) and [Léon Walras](#) (1834-1910). True, as Meek reminds us (1972: 83-4), it was not as revolutionary as its authors and many after them assumed. Mill’s prior reformulation of value predated it by several decades. But there is no doubt that the marginalists sealed, and lent academic respectability to, the subjective turn in economics and beyond.

From comprehensive political economy, economics thus became *micro-economics*, the action of individual, self-interested subjects in various markets. Value is no longer understood in terms of labour time, but as

utility, a subjective, psychological category (cf. Jevons on ‘[pleasure and pain](#)’ as the drivers of economic processes). Thus the focus moved from the sphere of production to the sphere of exchange; it envisioned a theory of distribution (of income) ‘entirely within the circle of market relations’, by seeing income as remuneration of what Walras called the productive services or *factors of production*, without relying on any sociological datum (Dobb, 1972a: 205-6).

The marginalists as we saw were concerned with the advancing labour movement and Marxism, the critique and culminating result of classical political economy. But it will be remembered that they also specifically adopted the perspective of the stock-owning financier, whose vantage point they generalised as theory. As absentee owners and title holders not directly involved in production, the rentiers welcomed a vision of economics which concentrates on maximising returns, without any concern about how these are generated. There were other forces at work when marginalism emerged, such as a slowdown in the 1870s which placed *scarcity* at the centre of attention. Meek (1972: 89) therefore rejects Bukharin’s (1972) association of marginalism with the rentier perspective. But the slowdown was overcome in the 20th century, whilst the perspective of the inactive owner has proved an enduring characteristic of capitalism. Specifically, the rentiers welcomed the idea that their incomes should be considered as an equally honourable source of revenue as that gained by work. ‘The essence of interest is not exploitation’, Böhm-Bawerk wrote; it is ‘an entirely normal phenomenon’, an ‘economic necessity’ that even a socialist society would have to respect (quoted in Dobb, 1972b: 60).

Marginal Utility Theory

The notion of ‘utility’ predates marginalism but it was also a product of the disenchantment that followed the Enlightenment optimism of the earlier liberals. The ‘Utilitarians’ led by [Jeremy Bentham](#) (1748-1832) made their name by arguing that if one starts from the quest for utility, the harmony of interests postulated by the liberals could not be expected to apply to everybody in the end. It is enough that society ensures ‘the greatest happiness for the greatest number’. The state must assume an active role in achieving that outcome, whilst ensuring, for instance by

building prisons, that those outside the circle of prosperity and happiness will not interfere with the lives of those within it. *Discipline*, socially and on the factory floor, was a key concern of the Utilitarians.

Marginal utility was already coined by [Hermann Gossen](#) (1810-1858 – Dobb claims the concept is borrowed from differential calculus, 1972b: 50). Gossen's original argument was that in working the land, each added labourer adds to overall productivity but after a certain point, they begin to walk into each other's way and the added value becomes less. Lipsey in his textbook (1982: 213) calls this a 'hypothesis' although it is meant as an axiom; he claims that 'empirical evidence in favour of the hypothesis of diminishing returns is strong in many fields', pointing at working the land as an example (never mind that this is a marginal form of labour today and that by the criterion of positivism, a hypothesis only holds if it is *always* true).

From the angle of consumption, Gossen's *law of saturation* captures the same idea. It claims that the enjoyment of something, say, plates of brown beans, increases with each added quantity but at some point begins to decrease to the point of saturation. It is the last added increment which still provides enhanced enjoyment, which determines the *subjectively experienced value* of a good or service. At some point, the marginal substitution rates of two different goods or services intersect, and for his last penny, the subject prefers an apple instead of more beans. Jevons' 'indifference principle' is based on intersecting utility curves of rival goods, where marginal preferences, choices 'concerning a little more or a little less', decide (Lipsey, 1982: 159; on the indifference principle or 'diminishing marginal rate of substitution', Ibid.: 170).

Marginal utility curves are also used to determine the price of a good or service. It is established at the point where marginal utility curves of buyer and seller, that is, their subjective valuation of what the item is worth, intersect. The marginal utility ('efficiency') of capital is the last piece of equipment that still adds to profitability, given the prices of all factors of production (Fabiunke, 1975: 263, 268). *Thus the original notion of added labourers on the land and the law of saturation, generalised as marginal utility, becomes the cornerstone of axiomatic micro-economics.*

The core axiom is that there exists an individual (unit) who/which is free to choose, unencumbered by any market constraints or social circumstances (Dobb, 1972b: 63-4). Liberalism is therefore the essential condition; only then subjective choices can be made freely by all parties. Any impediments to the free exchange of commodities must be guarded against—trade unions in this respect are a market distortion as much as are business cartels and monopolies.

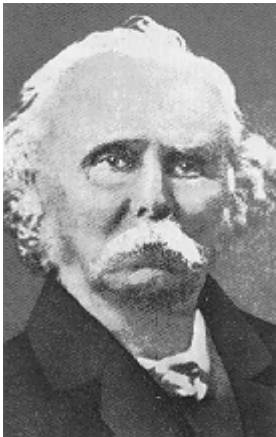
Free trade (internationally as well as internally), dear to British factory owners and those who thought and spoke for them, was considerably less popular in countries seeking to industrialise in the face of UK competition, and landowners everywhere rejected it outright. Both in the US and Germany, conceptions articulating the perspective of late industrialisation circulated throughout the 19th century. [Friedrich List](#) (1789-1846), the intellectual founding father of German protectionism and author of *The National System of Political Economy* in 1841, actually developed his ideas as a political refugee in the US in the 1820s as the guest of Matthew Carey, an Irish immigrant, who argued for a protective tariff. Advocates of national economic development (including Matthew's son, Henry Carey) typically claimed that the British policy of free trade forced countries to overspecialise, producing colonial poverty and a lack of capital formation outside Britain.

Once Marxism took hold, however, the alternatives to liberalism became more muted. In Germany, a *Historical School* ([Wilhelm Roscher](#), 1817-1894, [Gustav Schmoller](#), 1838-1917, and others) rejected theory altogether. The historical economists were conservatives who shared the outlook of the agrarian land-owning classes with whom they agreed on the need for a protective tariff. The US after the Civil War adopted protective tariffs to allow its manufacturing sector to develop (the 'infant industry argument'), but American economists early on claimed that mechanised production in due course required large markets again and hence, the elimination of trade barriers. 'They argued for long-term benefit against manufacturing interests who had succeeded during the Civil War in erecting a protective tariff' (Ross, 1991: 77). In addition, 'Free laws of the market stood sentinel ... against greenbackers, labour reformers, and after 1879 ... proponents of

a single tax to expropriate the unearned increment on land'. (Greenbackers were the advocates of easy money growth).

There were initially many radicals among US economists (e.g., the institutionalists discussed in Chapter 5), but growing labour unrest in the 1880s led to a mass conversion to marginalism. John Bates Clark (1847-1937), who had earlier signalled an interest in socialism, was prominent in the shift. 'The desire to legitimate the capitalist market in the face of radical challenge was the major element in Clark's thinking' (Ross, 1991: 118). This was evident in his marginal productivity theory of income distribution, which given that everybody is rewarded in direct proportion to what they contribute, 'there was no possibility of exploitation and no economic grounds for conflict' (Perry, 2009: 95). 'What a social class gets is, *under natural law*, what it contributes to the general output of industry', Clark wrote in 1891 (quoted in Hunt and Schwartz, 1972: 16, emphasis added).

The establishment of the American Economic Association in 1885 only consolidated marginalist hegemony. Once a discipline establishes itself in this way, it must gain the respect of the outside world by 'moderation' and a visible concern for 'objectivity'. The high level of abstraction and the promise of mathematical deduction exerted its own attraction on academics, but 'marginalism had its origins and gained its force not simply as an analytical tool, but as a liberal world view' (Ross, 1991: 173; cf. 179).



The doyen of US and subsequently, all mainstream economics, was [Alfred MARSHALL](#) (1842-1924). Marshall in the 1890s sealed the continuity with the classical tradition by claiming that Ricardo's theory already prefigured the marginal revolution. Thus the labour theory of value that had served as the basis for Marx's theory of surplus value, was written out of the script. Keynes in this respect duly follows the mainstream; he qualifies as 'classical' economists not just Ricardo and his predecessors, but also 'J.S. Mill, Marshall, Edgeworth and Prof. Pigou' (Keynes, 1970:

3n).

Marshall was cast as the founding father of the economics discipline because he softened the extremes and packaged the history of economic thought into a comprehensive, supposedly continuous line of development ('It's all in Marshall'), that would make economics respectable. In his *Principles of Economics* of 1890, Marshall combines marginalism with the claim that the price mechanism ensures long-term *equilibrium of supply and demand*, which harked back to the law of value of classical political economy (Ross, 1991: 174). But as Meek points out (1972: 93), the terms of Marshall's analysis 'were essentially subjective and therefore very different from Ricardo's.' Nevertheless economics owes its prestige at least partly by claiming it is the product of all thinking on the subject, from Smith to Hayek – the *neoclassical synthesis*. Never mind that its 'predictive power is weak' – it is an axiomatic, deductive system rich in mathematical applications.

Anchoring Subjective Rationality

The significance of the *subjective* theory of value is that the aspect of production, and hence, labour (time), is eclipsed for reasons indicated above – to articulate the perspective of the property owner, and to sideline the Marxist critique of economics by derailing the entire tradition based

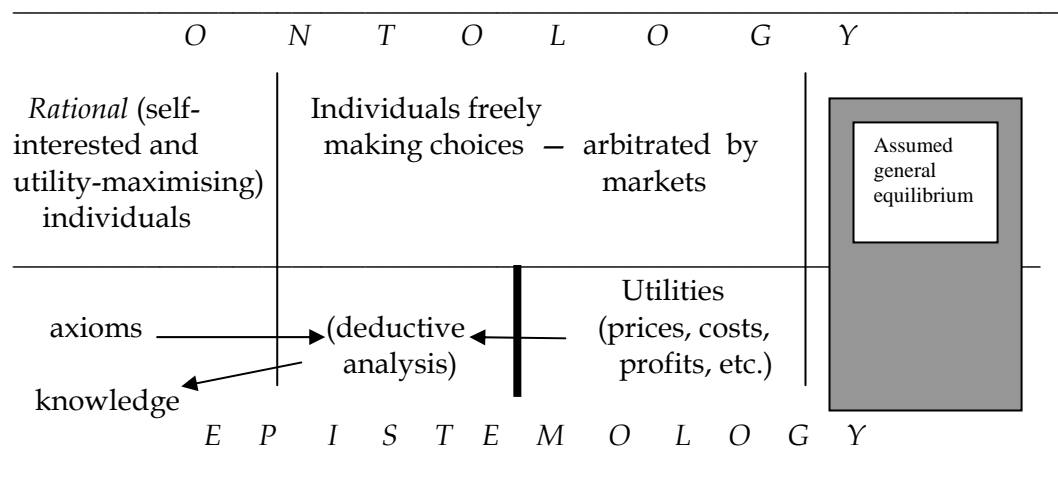


on the labour theory of value. 'Utility' or use value was always an aspect of value (what is the point of spending labour time on something nobody wants). But in the concept of utility as used by the utilitarians, Mill, and the marginalists, it becomes the angle point of the analysis. There was never any doubt that this was explicitly aimed at Marxism. Eugen BÖHM-BAWERK's (1851-1914) chief work was entitled *Marx and the Close of His System* (originally of 1896).

The change from the (overt or implicit) materialist perspective of classical political economy to a subjective idealism (rationalism), affects both ontology and its epistemology. It suggests that the only thing an economic subject (a worker, capitalist, a land owner) can rationally do, is to try and get the highest price of his/her economic asset (capital, land, labour). This price is set by the last increment added by the 'marginal' unit before its return decreases – before utility turns into disutility.

Importantly, *the economy (the market) is an anonymous arbitrator of individual decisions; it is an impenetrable world into which one inserts one's assets as long as the last item thrown in, still brings a return.* Hence, epistemologically speaking we do not really know what happens there (nor do we care to know). This is depicted in Figure 2.1., following Figure 1.2 in Chapter 1.

Figure 2.1. Neoclassical Micro-Economics as a Subjectivist Approach



The market economy, then, is 'not an order of collective action, for the market is the negation of collective action... it is a spontaneous order arising among... purely self-regarding actors' (Taylor, 2004: 79). Hence there is no rationality to the market except this lingering idea of a naturalised, self-equilibrating function (eventually thrown out by Keynes); the rationality at work is entirely subjective. Epistemologically, the inner nature of the objective economy is a black box; since subjective behaviour

is given, knowledge results from deduction. Marginalism does not reject empirical analysis, but it does '[emphasise] the *higher importance of scientific law* in understanding change' (Ross, 1991: 175, emphasis added; cf. 'Notes on the Fifth Edition', Lipsey, 1982: xix-xxii). As we will see, Rational Choice takes this schema as the general model for all human behaviour.

The German and Austrian marginalists were more literate about the philosophical and methodological implications than their English-speaking colleagues (who more readily referred to 'nature' to legitimate their views). Menger claimed that he 'endeavoured to reduce the complex phenomena of human economic activity to the simplest elements that *can still be subjected to accurate observation*' (quoted in Ross, 1991: 332, emphasis added). But this 'observation' is not meant to yield unexpected insights; it is merely the level at which the rational subject is claimed to operate. Böhm-Bawerk (in a review of Menger) highlights that their aspiration is nothing less than 'the elimination of the historical and organic methods as the dominant methods of theoretical investigation in the social sciences ... and the restoration of ... *the precise atomistic tendency*' (quoted in Bukharin, 1972: 40, emphasis added).

However, as Maurice Dobb argues (1972a: 206), 'the linchpin of this whole conception is of course the notion of the marginal productivity of a factor (as governing the pricing of the latter)'. In the 1960s, this gave rise to the *capital controversy*.

'Capital' in neoclassical theory consists of 'existing machines, plant, equipment, etc.' (Lipsey, 1982: 356; *money* is merely a claim on resources – *ibid.*: 359). Now people will invest in machines etc. only if the *marginal efficiency*, the return on the last unit of capital added, is higher than the rate of interest. If not, they will put their money in the bank (Lipsey, 1982: 398). But to establish this marginal efficiency, one must know the price of capital, which depends on the contribution to future profits it will make. This in turn is dependent also on future wages and other costs, all of which also depend on the overall price level. In other words, a whole range of prices must be known if the crucial decision to invest or not, can be made. The decision(s) that will determine the future price level, is /are

determined by ... the future price level. 'The one way out of this tautology,' writes James Perry, 'would be if neoclassical economists had found a way of quantifying capital inputs independently of price, and hence *prior* to the calculation of profit. They have not' (Perry, 2009: 97-8).

The impossibility to quantify capital goes to the heart of the original reformulation of a separate, subjective economics—it invalidates the notion that the moral title to income of a capitalist (in particular, an inactive *rentier*) is the same as that of somebody who works. But if the 'dogma that the rate of profit that the owners of capital enjoy is equal to the productivity of capital equipment' (Robinson, 1972a: 239), turns out to be fiction, this identity too evaporates. Clark's 'natural law' of income distribution based on marginal productivities, goes down along with the entire edifice of neoclassical economics and its claims of 'accurate observation', 'the precise atomistic tendency', etc.

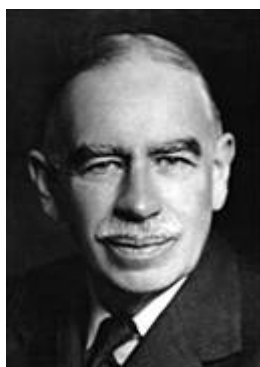
The advocates of neoclassical economics in the end could not but concede. Paul Samuelson in 1966 wrote that the efficiency of capital can only be measured in an 'ex post tautological sense' (quoted in Perry, 2009: 98). Lipsey also concedes the circular argument invalidating any real claim about the marginal productivity of capital; however, he claims that this is not a problem *if one sticks to a micro-economic perspective, i.e., the level of the single economic agent*, who is not concerned with aggregate price levels but only with those he has to deal with himself (as costs, income, profit) (Lipsey, 1982: 412-3). This takes us back to Figure 2.1: for an economic subject, the *market* is a dark enigma, except for the lingering equilibrium assumption that Keynes would demolish—but which is usually resurrected after a crisis. The market is what lies beyond the point where 'factor' inputs are thrown in, and from which the income they generate, is returned (or not). The *macro*-economy (the economy as a totality, a system of inputs and outputs with its own inherent logic) cannot be understood in terms of marginalist theory; *only the (micro-economic) actions and motivations of the agents can, but only in hindsight.*

The subjectivist interpretation of economics thus coincides with the naturalisation of income differentials. We no longer know *why* things happen in the objective world (in the sense of an integral rationality

independent of our will), but we trust that subjective rationality is 'natural', autonomous, and not determined by structured, knowable processes of historical change. 'The social laws,' writes Böhm-Bawerk, 'whose investigation is the task of political economy, depend on coinciding transactions of individuals. Such uniformity of action is in turn a consequence of the operation of like motives determining action' (quoted in Bukharin, 1972: 38). Note 'the operation of like motives determining action', which highlights the subjective valuation which comes in the place of an objective value standard whilst shifting the commonality ('like motives') to the quest for remuneration independent of the issue *for what* this remuneration is obtained.

Thus academic economics at the end of the 19th century completed the subjectivist turn begun by Mill. The aim of discovering the inner workings of the economy which Adam Smith still had done on the assumption that the subjective self-interest was fully compatible with the common good; and which Marx and the utilitarians had claimed was unattainable, was abandoned. Marshallian neoclassical economics instead revolves around a series of assumptions beginning with (a) choices by consumers, (b) production decisions based on these choices, by producers concerned about profit; and (c) the market as the sphere in which these choices and preoccupations are totalised into optimum outcomes (Hunt, 1972: 188). However, as with all theory, at some point real developments makes it obsolete. In the 1930s, a massive economic Depression hit the West to which this type of economics had no answer.

2. THE KEYNESIAN CHALLENGE AND THE NEOLIBERAL RESPONSE



[John Maynard KEYNES](#) (1883-1946) was a dissenter within the community of mainstream economists. As a youthful assistant to the British delegation at the Versailles peace talks in 1918, Keynes made his name by walking out in protest over the war indemnities imposed on Germany. In *The Economic Consequences of the Peace* of 1922 he predicted that by creating huge financial imbalances in the post-war economy and by

preventing Germany to produce, the peace would merely be a prelude to the next round of fighting. All through his career, he would challenge orthodox liberalism, the rentier mentality of short-term gain and failure to see longer-term consequences.

The Great Depression broke out in the aftermath of the stock market crisis of 1929 and the 1931 bank crisis (triggered by Franco-German rivalries). Keynes attempted a systematic exposition of how full employment could be restored, an exposé which recommended *eliminating the rentier from the operation of the economy*. The individual rational subject of micro-economics in the process was transformed into the collective rational subject that is *the state*. The other subjects are seen as aggregate entities, which display what Keynes terms 'propensities' (the propensity to consume, save, invest). *The General Theory of Employment, Interest and Money* of 1936 was not therefore a radical alternative to mainstream economics. It was a modification that recognised market failure and the need for state intervention, with an eye to avoiding a radicalisation of the working class in the Depression.

Keynes never abandons the marginalist perspective; and occasional remarks on labour apart (cf. Chapter 1), he certainly does not return to the labour theory of value. He rather *seeks to remove the last vestige of classical political economy from the neoclassical synthesis, the notion of a self-regulating market equilibrium*. 'When my new theory has been duly assimilated and mixed with politics and feelings and passions,' he ventured in a 1935 letter to the playwright, Bernard Shaw, 'There will be a great change, and, in particular, the Ricardian foundations of Marxism will be knocked away' (reprinted on the cover of the 1970 edition). Shaw was a prominent figure in the Fabian Society, the most timid reformists in the Labour Party. The Fabians rejected not so much capitalism per se, as the individualist and rentier aspects of it; Shaw thought this could be based on ...Jevons (Brick, 2006: 26-7). Keynes took the argument further by applying marginalism to the macro-level.

What Keynes rejects in Ricardo is the focus on income distribution (1970: 4n). He wants to return to the idea of how *total wealth* can be maximised, which Thomas Malthus (the vicar concerned with population growth,

1766-1834) still thought was the purpose of political economy. Obviously in the Depression of the 1930s, with millions out of work and capital lying idle, this was a highly topical issue. Keynes diagnosed the shortfall in the overall level of output as the intersection of three key variables (all formulated as *aggregate* subjective choices, propensities).

- 1) The propensity to consume (based on real wages, and part of effective demand);
- 2) the propensity to save (based on the rate of interest), and
- 3) to propensity to invest (based on profit expectation, 'the marginal efficiency of capital').

The central claim made by Keynes was that 2) and 3), *if left in the hands of the rentiers*, undermine 1), thus crippling total production. Therefore government money must be injected into the economy to cover the investment shortfall. Output can then be raised, and with it, employment; all incomes will increase by what he calls the *multiplier*. The multiplier effect can be calculated, if not empirically (that would require we open up the black box that is the actual economy), at least as a numerical example on the assumption of a closed economy (cf. Lipsey, 1982: 505).

The State Versus the Rentier

Keynes squarely adopts the perspective of the real economy as against the interests of the rentiers, who had been so well served by the arguments of the original marginalists. The economy, he claims, is about satisfying the needs of society. 'Capital is not a self-subsistent entity existing apart from consumption. On the contrary, every weakening in the propensity to consume regarded as a permanent habit must weaken the demand for capital as well as the demand for consumption' (Keynes, 1970: 106). The real driver of the level of economic activity is effective demand, which 'is simply the aggregate income (or proceeds) which the entrepreneurs expect to receive... from the amount of current employment which they decide to give' (Ibid.: 55).

Keynesian economics, then, is about 1) consumption, which highlights the crucial role of mass demand and by implication, the wage level; and 2)

the monitoring role of the state in the economy (which also brings in, via parliament, the mass of the population). These two aspects bring Keynes close to the managerial perspective of the large corporation, the administrative cadre in the state, and the trade unions. But what really caused fury among the propertied classes and their spokesmen was the third aspect, his attack on the rentier.

In early capitalism, investment is a decision of which the social aspect is not different from the individual. But 'with the separation between ownership and management which prevails to-day and with the development of organised investment markets, a new factor of great importance has entered in' (Keynes, 1970: 150). That factor is the rentier, what he calls the *functionless investor*, who draws an income from stock market assets and savings.

Investment through the stock exchange induces short term behaviour, speculation, which separates the social aspect of investment (factories, mines, infrastructure – all long-term ventures) from the liquid holdings of investors. These investors may shift their assets from one sector to another on a daily basis. It is as if a farmer who wakes up to find the weather bad, can decide to leave farming on the spot. This however has a disruptive effect on the system as a whole to the degree the rentier aspect grows out of proportion.

Speculators may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble on a whirlpool of speculation. When the capital development of a country becomes a by-product of the activities of a casino, the job is likely to be ill-done (Keynes, 1970: 159).

The problem is that the rate of interest sets the standard which the return on investment must meet if there is to be investment at all (otherwise owners can put their money in the bank at little risk). In the classical equation, the volume of saving is always equal to the volume of investment, because rates self-adjust to equilibrium (Lipsey, 1982: 532-3). But as Keynes argues, the rate of interest is a psychological, conventional phenomenon, and when people also think that the rate of interest is self-adjusting (as part of the lingering classical notion of a general market

equilibrium), they accept a given interest rate level even if it generates mass unemployment (Keynes, 1970: 204).

As long, then, as the decision whether to invest or not is left in the hands of the rentier, the economy will be hostage to fortune. *It must therefore be made impossible to make money on inactive holdings.* Interest in Keynes' view is no longer a reward for a genuine sacrifice, and it is therefore better to organise communal saving via the state. Lipsey calls this the 'extreme version of the Keynesian theory' (1982: 533), but it was *the core* of Keynes' programme to eliminate the rentier and pass the savings and investment roles to the state. 'I expect to see the State, which is in a position *to calculate the marginal efficiency of capital-goods on long views and on the basis of the general social advantage*, taking an ever greater responsibility for directly organising investment' (Keynes, 1970: 164, emphasis added).

The state role in sustaining effective demand may include loan expenditure (public expenditure based on borrowing) that is 'wasteful', i.e., for apparently useless purposes (pyramid building etc.). Even that would benefit the community on balance. It would generate economic activity and employment by keeping up effective demand. Such activity by itself would already reduce the role of the rentiers. Since their income is fixed in money terms, inflation accompanying the booming economy will 're-distribute incomes to the advantage of the entrepreneur and to the disadvantage of the rentier' (Keynes, 1970: 290. cf. 128-9).

Shifting the savings function to the state will not eliminate entrepreneurship—only '*the rentier would disappear*' (Ibid.: 221, emphasis added). 'I see, therefore, the rentier aspect of capitalism as a transitional phase which will disappear when it has done its work... the euthanasia of the rentier, of the functionless investor, will be nothing sudden... and will need no revolution.' Instead of the private investor, 'a scheme of direct taxation' would allow the skills of the financier 'to be harnessed to the service of the community on reasonable terms of reward' (1970: 376). For an assessment of Keynes in context, cf. [Robinson](#), 1972b.

The Revenge of the Rentier: Hayek's Neoliberalism

In his *General Theory*, Keynes provides the classic statement of a countercyclical state intervention policy intended to steer clear of the extremes of business fluctuations that result from the herd instinct of private investors. His recommendation that the rentier class should be subjected to a 'euthanasia', however, did not fail to raise profound concern on the part of the propertied classes. The spectre of a democratic state taking an active role in managing the economy was never accepted, even though the voices of dissent were briefly muted when it seemed social revolution was around the corner.

Once the Second World War and a series of adjustments to the original New Deal in the United States (which business had responded to by an investment strike) had removed the immediate danger of socialism, the long rollback began. Theoretically, the revolt against Keynesianism was not just a repeat of the marginalist attack on Marxism though. This time the issue for the rentier class was one, literally, of life and death. *The position of the private property owner was now articulated as a struggle for freedom and against dictatorship*—indeed for the private investor, there was little difference in principle between Keynes' 'euthanasia' and outright socialism.

Marginalism already is premised on liberalism, rejecting state intervention. As J.B. Clark put it, neoclassical theory serves to reveal when government is 'violating economic law' (quoted in Ross, 1991: 415). But in the perspective of the anti-Keynesians and opponents of the New Deal and the class compromise with organised labour, *it is not enough to return to the old liberalism*.

[Walter Lippmann](#) (1889-1974), the journalist and trustee of the Atlantic ruling class, in *The Method of Freedom* of 1934 claimed that it would be impossible 'to go back to laissez-faire and the neutral state'. Lippmann was an early radical who had studied with the Fabian, Graham Wallas, as well as with the pragmatists, James and Dewey (cf. Brick, 2006: 50-1). In *The Good Society* of 1937 he argued that 19th-century laissez-faire individualism should be rejected along with fascism, communism, and

state socialism (including the New Deal). *Neoliberalism* emerged from meetings in the late 1930s among the adherents of the idea that a new social philosophy based on generalised self-interest had to be developed, although it would take until the crisis of Keynesianism in the 1970s before it became hegemonic.

Importantly, the neoliberals no longer confine their prescriptions to the economy. They want economic rationality to be applied to all aspects of society; *no organ of the social body may be allowed to function according to other principles than that of free choice by rational, self-interested individuals.* Wilhelm Röpke (1899-1966), one of the early neoliberal philosophers, in fact saw the advance of 'totalitarianism' (their term for the increased role of the state) as a feature of the loss of discipline in society, to which narrowly conceived social science disciplines paradoxically had no answer. As he put it in a paper with his co-author, A. Rüstow (quoted in Walpen, 2004: 58, emphasis added),

The real cause of this deficiency of [the] social sciences seems to be found exactly in the narrow economic conception and the lack of courage and ability to develop a *really synthetic interpretation which is connecting up the economic phenomena with the wider aspect of society.*

The problem, Röpke and Rüstow claim, is in fact not economic. There is 'a deeper organic disease' at work. This is the loss of purpose felt by the working classes, which in their view cannot be met by 'bigger wages and better cinemas' (the Fordist recipe of the mass consumption society, in a word). What is necessary is a re-vitalisation of society. 'A re-integrated society of freely cooperating and vitally satisfied men is the only alternative to laissez-faire and to totalitarianism'.



The key figure in the neoliberal movement was Friedrich von HAYEK (1899-1992). Hayek in the 1930s left his native Austria to begin teaching at LSE. Keynes at the time noted Hayek's concern for the private investor and made some mildly disparaging remarks about its author in the *General Theory* (1970: 60, 79-80). Hayek shared Röpke's ideas about the need to fundamentally

rethink the social sciences. At LSE, he studied the positivism of Comte and Saint-Simon, in which he detected the beginning of the decline of freedom (cf. Hayek, 1958). As noted in Chapter 1, positivist sociology indeed emerged as an empirical alternative to axiomatic economics, an approach closer to the managerial perspective on the economy and society.

In the 1940s, Hayek's overriding concern was to seek to undermine the notion that a managerial approach to the economy as Keynes and others had recommended, with the state replacing the rentier, ran upon insurmountable obstacles. Key among these was the inability to centralise the information necessary to plan an economy; to entrust a managerial cadre with such a task would lead to slavery under a totalitarian state. The need to uphold free choice at all costs is paramount in Hayek's thinking. In *The Road to Serfdom* of 1944 he denounces the planning trend of the period, the myopic arrogance of the cadre, and the welfare state with its promise of redistribution and comprehensive public services. From the 'Points from the Book' which he sent to his publisher in 1943, note the following ((both quoted from Cockett, 1994: 81, emphasis added)

- *Economic freedom which is the prerequisite of any other freedom* cannot be the freedom from economic care which the socialists promise us and which can be obtained only by relieving the individual at the same time of the necessity and the *power of choice*: it must be the freedom of economic activity which, with *the right of choice*, inevitably also carries the *risk* and the responsibility of that right;
- What our generation has forgotten is that the system of *private property* is the *most important guarantee of freedom*, not only for those who own property, but scarcely less for those who do not.

In the Hayek formula, the individual pursuit of *freedom* (anchored in the system of private property) is therefore the main plank of the Hayek programme: everybody must be *free* to enter/exit the field of operations that is the economy. Although it is called 'market economy', in fact the market is only the entry/exit point into an otherwise intractable process (if it weren't, planners could ultimately obtain the information to plan).

The market therefore does not guarantee freedom from economic want, indeed it cannot guarantee anything—how would we know. *Choice* (the choice where to invest, the decision to freely dispose of one's possessions

otherwise, consumer choice) is the expression of freedom. How those who have no property (and hence little choice), will enjoy the general freedom that Hayek claims follows from the freedom granted to those with property, is left unclear. This of course takes up the old idea of the marginalists which had remained central for mainstream economists throughout. Indeed as the Italian [Vilfredo Pareto](#) (1848-1923, whom we will encounter again as one of the neo-Machiavellian elitists in Chapter 9) put it, 'the theory of choice... gives more rigour and more clarity to the whole theory of economic equilibrium' (quoted in Meek, 1972: 95).

'Market' for Hayek therefore is merely a code word for the free disposal of assets. Since only the individuals themselves have the knowledge about what they want, and the state (or any other embodiment of the collective that is society) is a priori disqualified as the organiser of social life, the process of totalising individual preferences must be left to a sphere of exchange where these preferences cancel each other out, or are otherwise mediated. Although we do not (want to) know what lies behind this exchange process, we do know that this is the sphere in which subjective choices are totalised one way or another – the market.

The core concept of neoliberalism is the notion of 'competitively determined freedom'. This concept of freedom is defined from the principle of privately disposable property of the means of production, secured by political institutions ensuring 'law and order'. Hayek later specified law and order as the foundations of private property as such, as freedom of contract and the coercive upholding of contracts (quoted in Walpen, 2004: 114-5).

Competitive freedom is not only totalised economically by the market (in the aforementioned sense). It is also realised in politics by elections. But then in the neoliberal perspective, one might as well call the market an ongoing 'election' by investors and consumers, or the political process a 'market' for candidates and votes. As long as there is freedom to choose.

In April 1947, a meeting in a hotel in the village of Mont Pèlerin in Switzerland established the Mont Pèlerin Society, which still today is the key network of the neoliberals. Thirty-nine, mostly economists, attended:

Walter Eucken, Milton Friedman, Hayek, F. Machlup, and Röpke were among the participants. Also present was [Karl Popper](#), with whom Hayek corresponded whilst writing *The Road...*, and whose *The Open Society and its Enemies* of 1945 was the philosophical counterpart of the attack on 'collectivism'. Popper's neo-positivism, however, as we will see in Chapter 3, is incompatible with the axiomatic notion of 'rational choice'. On the first day of the founding MPS meeting, Hayek already indicated that the question how to restrict, in law and in practice, the power of the trade unions, would be one of their most important tasks. Yet at the time, the Keynesian approach of economic management by the state and class compromise with organised labour still held the high ground.

The hour of neoliberalism finally struck when Keynesianism landed in a deep crisis in the mid-1970s and the rentier class and associated players (investment banks, mutual funds etc.) rose from the grave to which Keynes had supposedly assigned them. 'Nobel prizes' for the proponents of neoliberalism mark its ascendancy beyond economics as a general hegemonic concept for society, and the rise of finance and the rentier element in the distribution of incomes, through privatisation and marketisation, can be easily documented. The theory of New Public Management is one way in which this has been articulated. Ideally, under NPM rules, the state is stripped of any preferential access to society and the economy, and becomes a bidder for tasks to be undertaken along with private bidders (Lane, 2000: 37).

3. RATIONAL CHOICE AND GAME THEORY

Among those advancing the idea of generalising from micro-economic choice to social action at large a prominent role was played by the US economist, [Frank H. Knight](#) (1885-1972). Neoclassical economics according to Knight is an exact science that produces laws as universally valid as those of mathematics and mechanics. Through its high level of abstraction, economic science had achieved '*the form of all rational activity*' (quoted in Ross, 1991: 426, emphasis added; Rational Choice, the approach seeking to apply the logic of micro-economics across the social sciences, here has its origin. Cf. [Simon](#), 1955).

Against the idea of a descriptive approach to economic behaviour as argued by the institutionalists (cf. our Chapter 5), Knight emphasises that the axioms of economic rationality should be applied to social reality at large. There had been occasional references to economics as the model for social and political behaviour, but it was only with Knight that politics and economics were both systematically reduced to individual choice (Ross, 1991: 427).

Now as Dobb noted in 1940 in a comment on the neoliberal writers (1972b: 71-2),

If all that is postulated is simply that men *choose*, without anything being stated even as to how they choose or what governs their choice, it would seem impossible for economics to provide us with any more than a sort of algebra of human choice, indicating certain rather obvious forms of interrelationship between choices, but telling us little as to the way in which any actual situation will behave.

This reminds us of the deductive character of any axiomatic approach. Dobb too argues that choice can never be confined to economic choices, given that there is nothing inherently economic in 'choosing'. [Lionel Robbins](#) (1898-1984), one of Hayek's fellow neoliberals at LSE, on the other hand argues that 'every act which involves time and scarce means for the achievement of one end involves the relinquishment of their use for the achievement of another (and) has an economic aspect' (quoted in Ibid.) Or as Ludwig von Mises (1881-1973) puts it,

It is illegitimate to regard the "economic" as a definite sphere of human action which can be sharply delimited from other spheres of activity. Economic activity is rational activity... *The sphere of economic activity is coterminous with the sphere of rational action* (quoted in Dobb, 1972b: 73, emphasis added).

If the circumstances under which people make choices, are left unspecified, the implication that they choose *freely* is a false statement, Dobb concludes from this discussion. Yet is precisely this freedom, not choice a such (and even less, the market) that Hayek was concerned to restore in the face of the advancing Keynesian state and the managerial revolution of the cadre.

In the spread of the principles of micro-economics across the social sciences as Rational Choice theory, Frank Knight's students, [James M. Buchanan](#) and [Gary Becker](#), led the way. Two main strands may be distinguished.

- The *Public Choice* school of Buchanan and Warren Nutter took ideas from Kenneth Arrow, Duncan Black, and Anthony Downs, to argue the application of the market mechanism to politics. This would bring about a more efficient allocation of individual preferences. To counter the thesis of 'market failure' (the claim that a capitalist economy fails to deliver the goods), Buchanan and Gordon Tullock in 1962 wrote *The Calculus of Consent* which claimed instead that 'governmental failure' was the cause of social problems (Walpen, 2004: 152). Public Choice theory identifies the interventionist state as the cause of social malfunction. In particular, its redistributive role (taxing the rich, helping the poor) creates the problem of the *free rider*, the idea that anybody, any institution, is enjoying advantages for which he/she/it has not paid. This has worked in practice as a limiting principle on making rights-based claims on the part of those without sufficient means.
- In the same period (late 1950s, early 1960s), Gary Becker developed the 'human capital' theory (not to be confused with this concept as developed in institutionalism, cf. Chapter 5). In a series of works inspired by Knight, Hayek, and Friedman, Becker applies micro-economics (consumer choice, utility maximising) to all areas of human action and interaction. Whilst Buchanan led the way in developing market economy as a general science, Becker applies micro-economic choice thinking to a range of other areas, by assuming that an individual acts on the basis of an instinctive cost/benefit calculus in every act of choice—altruism, delinquency, discrimination, family, household, punishment—everything. (Walpen, 2004: 153-4; cf. [Becker](#), 1962).

These approaches aim to overcome the separation of economics from politics, from sociology, law etc., *by taking the economic definition of man/woman as the starting point for an integral social science*. One source of

the re-emergence of the term 'Political Economy' was to denote this new neoliberal social science.

The Shadow of Society: Games Between Rational Subjects

The influence of Rational Choice theory and its offshoots today is such that we tend to forget that its emergence passed through several stages, crucially the reformulation of value theory as a theory of subjective value. This removes *society as an objective reality* from view. In Dobb's words (1972b: 81), it

creates for us a realm where disembodied minds hold communion with etherealized objects of choice and then, unmindful of the distance between this abstract world and reality, seeks to represent the relations which it finds in this realm as governing the relations which hold in actual economic society and as controlling the shape which events must have under any and every system of social institutions.

Indeed, if we assume,

- 1) that all social action ultimately refers to free choices made by interest-maximising, rational individuals, and
- 2) we reject any notion of 'society' as an objective configuration of forces which can be analysed in its own right, —

then the possibility of an empirical approach to society is removed too.

Hence to represent social relations, we must resort to a highly abstract, indeed the most abstract level of representation, mathematics — concretely, *game theory*. In game theory, it is assumed that a rational subject goes about life making choices, but there are other rational individuals doing the same. Since we also have given up the idea of a market equilibrium in the classical political economy sense, and hence, the notion that society processes subjective rationality into collective rationality, we are left with rational subjects at cross-purposes. Not the Enlightenment notion of harmony, but the utilitarian principle of *optimisation* is at work here, except that we do not/cannot/do not want to, know *how*.

Under these circumstances, how are outcomes which meet the criterion of subjective rationality to all sides, for all 'players' that is, actually achieved? Note that we are dealing here with epistemology and ontology alike: our view of how scientists act, and how people in the real world act, is structurally identical (as we will see, in structuralist theories, this is usually not the case; hence the inherent elegance and attractiveness of subjectivist theories in a liberal society). In both theory of action and theory of knowledge, the world is unknown/unknowable/insufficiently known, an area of uncertainty and risk; while the subject is rational, indeed the *source* of rationality.

Games describe encounters between rational, interest-maximising individuals under varying circumstances. The form of describing the encounter is mathematical, because we can only denote the relations between subjective actors abstractly, deductively, without reference to a social structure which cannot as such be described except as 'positions' in a space – not on grounds of objective, substantive reality.

Rapoport (1966) defines game theory as a subjectivist, actor-oriented theory when he contrasts *strategic* and *systemic* conflict theory. In systemic theories such as Lewis Richardson's arms race studies, the system of international relations moves by its own accord; people and nations are drawn along into its flow. The system operates on the bases of objective laws, as do atoms or planets. This is objectivist, structuralist theory.

Strategic conflict analysis on the other hand, of which game theory represents the most sophisticated version, is exclusively based on subjective preferences. The theory is merely a device to determine outcomes. Two players each assign values to certain outcomes (utilities) which they necessarily (given the assumption of rational interest maximising) seek to achieve but which others may interfere with because the other (who is a competitor) may have other preferences.

Basically the game results in an n^{th} -best outcome for all. The central principle of strategy was always that competence in politics is the *rational* use of power, writes Rapoport. He highlights the connection with political economy when he writes that the original work of J. von Neumann and O.

Morgenstern on game theory was mathematical, and then applied to 'economic behaviour, i.e., to a context in which economic units compete with each other.' 'It seems, however, that the keen interest and enthusiasm with which the theory was received stems not from its possible applications to economics and business but from the realization that here at last was a rigorous and general theory of *rational conflict*' (Rapoport, 1966: 267, emphasis added).

The origins of the model of Rational Choice and game theory in micro-economics are obvious. Indeed as Rapoport writes (1966: 280), 'the ultimate reference point remains the smallest acting unit—the player who must rationalize his actions in terms of his self-interest immediate or ultimate. This outlook has a long tradition.

It stems from classical economics, where the individual producer or consumer has been put at the foundation of the conceptual system. These competing, bartering, bargaining "atoms" constituted the economic system. It is noteworthy that nineteenth-century economics earned the epithet of "the Dismal Science" because of its inexorable conclusions that the poor must forever stay poor—a conclusion rationalized by a vulgarized version of the Darwinian notion of the struggle for existence and survival of the fittest.

Rapoport adds that 'in our days the epithet "dismal" can be appropriately transferred to political science, at least that portion of it which is profuse with neo-Hobbesian ideas' (that is, IR realism).

In this perspective, too, the rational subject (the state) faces a dark, impenetrable, ultimately unknowable world. This world cannot, by the same logic, be ever controlled by the subject(s). Game theory, in which such subjects confront each other across space (abstracted into mathematical space), here finds another area of application. The subjects are rational; the arena of their interactions is not; but there is a deductive, mathematical way of calculating their relations by identifying certain patterns and configurations of the cross-purposes of players, each of which carries a value, measured in utilities, for the subject(s).

What theories in IR and GPE seek to achieve in this manner, is to develop an argument *why and how, in an anarchic setting, co-operation or co-*

ordination can develop at all—even if we deny their mutual relations the status of being ‘social’, that is, composed of substantive, objective patterns of interaction which contain elements of hierarchy, dominance, or whatever quality we ascribe to them and which on those grounds, would be intelligible in themselves. Even when this is denied, and only anarchic empty space remains, the relations among rational subjects can produce co-ordination and co-operation.

‘Co-ordination games,’ Hollis and Smith write, ‘rationally should result in stable equilibria or... *consensual norms*, from which no one has any reason to depart’ (Hollis and Smith, 1991: 123). From this angle we can conceive that patterns of coordination and cooperation (‘international regimes’) emerge. *Hegemonic stability theory* assumes that such regimes (free trade) are put in place by a hegemonic state. Regimes thus can be argued to come about as a result of a rational choice on the part of that state; public choice theory then suggests that there will be free riders who profit from the regime but who do not pay for it or otherwise share the burden (Cf. [Hausken and Plümper, 1997](#)).

As we will see in Chapter 6, regimes can also be theorised as a weak system theory, a strand of objectivist/structural theory.

Applying the Method

How are we to proceed if we want to pursue a research project in this strand of thought?

The problem with the Rational Choice tradition is that it is not really a mode of investigation but a deductive, prescriptive approach, meant to organise one’s thought before acting rationally in a competitive situation, *strategically*. In Milton Friedman’s words (quoted in Hunt, 1972: 188), there is ‘a common core’ valid for ‘almost all professional economists’ to which they ‘devote little professional research and writing—except in textbooks.’ In other words, the axiomatic nature of economics is simply given and no longer up for discussion in light of facts.

The value of economics and Rational Choice is therefore primarily ‘heuristic’, that is, it serves to generate ideas about why people or firms or

states may have acted in a particular way, or which course of action is the least costly given the assignment of different values to different courses. As Lipsey puts it in the notes prefacing the 5th edition of his textbook, he initially had tried to follow a positivist, Popperian approach (cf. our Chapter 3) but ultimately came to accept that the methodology of marginalist economics is 'Euclidean', i.e., axiomatic, not open to empirical verification or falsification (Lipsey, 1982: xxi). Logical positivism (or neo-positivism), with its claim that 'every single statement in the theory ha[s] to be positive and testable', has 'proved to be a harmful and unnecessary straitjacket.' Hence, 'all that the positive economist asks is that something that is positive and testable should emerge from his theories somewhere...' (Lipsey, 1982: 7).

Reuten defines the method of mainstream economics as 'axiomatic positivism'. Axiomatic, because it approaches economics as applied mathematics (the 'Euclidean' aspect); positivist, because it pays lip-service to the epistemology of empirical testing (Reuten, 1993: 64). The problem is that (neo-) positivists, as we will see in the next chapter, reject axioms such as the rationality of the subject as a basis for scientifically meaningful statements. And as we saw, Hayek explicitly rejected the original positivist philosophy. On the other hand, he worked closely with Popper, one of the neo-positivists sharing his anti-socialist convictions. Hence we are looking at an affinity but one with serious contradictions.

As Reuten sees it, a project undertaken in the Rational Choice strand would have to conform to the following requirements (these are also broadly the positivist requirements).

- 1) *consistency* (statements do not contradict each other);

Since mathematics and formal logic, which account for the axiomatic aspect of this approach, are in themselves consistent, this criterion is met without difficulty. However, since economics is also a social science, it will tend to drift away from this consistency as soon as it takes social data on board that contradict the axioms which usually are in fact assumptions. For instance, the claim that rational individuals are fully informed, is such an axiomatic assumption.

Let us retain though that consistency of one's abstract claims about the world, is a first step that is required in the methodology of this approach.

- 2) *plausibility* in light of the literature (claims are broadly in line with what others claim);

This is the second step, which is much more problematic. Basically, theory is expected to remain within the broad parameters of existing theories: hence there is a premium on selecting small areas not yet covered in previous research, or updating older research within an identical theoretical framework. As was argued by Thomas Kuhn's *Structure of Scientific Revolutions* of 1962, however, breakthroughs have always been achieved by rejecting the 'plausible', not by small steps building on it. We will see in the next chapter that this is the hot issue in positivism.

- 3) *empirical application* (some form of testing of statements against indicators/ data)

This is the weakest aspect of this approach because Rational Choice breaks the fundamental rule of positivism, i.e. that it posits first principles (axioms) One may also say, it sacrifices the problems of open-minded fact-finding to the construction of a constituent deductive model from the first principles (cf. 'the predictive power of the model was weak'). Therefore neoclassical economic theory has produced little research: historical/empirical analysis of economic process within economics has been evacuated mainly to business economics, history of economic thought, economic sociology, or political economy (Reuten, 1993: 67-9).

With the above limitations in mind we may agree that a Rational Choice research strategy would consist of

- identifying the actors and their interests;

- listing actor preferences and adding a putative quantitative value to them;
- identifying the particular game and which may be argued captures the nature of their competitive engagements (the best known is Prisoners' Dilemma which condemns actors to costly outcomes because of lack of communication and trust and the risk of even greater harm) and
- performing a calculation following the rules of that game to determine the outcome.

3

Positivism and Sociology

Positivism is an epistemological position with certain 'left-of-centre' political implications. It emerged in combination with sociology, which would eventually develop into a full-fledged academic discipline concerned with the social problems generated by capitalist industrialisation, urbanisation, and other aspects of contemporary daily life. The combined development of positivism and sociology transpired in several stages.

- the original positivism and sociology of A. [Comte](#) (1798-1857), in many respects a product of the restoration following the French revolution and Napoleon;
- the later, 'classical' sociologists, [Durkheim](#) (1858-1917) and [Max Weber](#) (1864-1920), whose work dates from the period when the workers' movement was reaching the high point of its historic ascent and militancy;
- the neo-positivists of the Vienna School, who sought to apply the atomistic philosophy of the natural sciences to all the sciences generally (not just sociology).

Of the first two stages, Alvin Gouldner writes, 'If the key polemical target of Positivist Sociology had been the *philosophes* and the French Revolution, the common polemical target of the thinkers of the Classical

period was Marxism... Classical Sociology was the great achievement of the middle class of Western Europe... when in general, the middle class was increasingly threatened by the rise of Marxist Socialism' (quoted in Seidman, 1983: ix).

In the present chapter we will deal, first, with the principles of sociology and positivism as they emerged in the first half of the 19th century. Then we turn to the sociology of Durkheim and others as exemplary of a managerial, reformist approach to the 'social question' (Weber was not a positivist but stands in the hermeneutic/neo-Kantian tradition that we look at in Chapter 4). Finally, we turn to neo-positivism which more than the others worked to imprint the sociological, empirical method with the subjectivist approach which warrants its place at this point in our study (which as noted, may be legitimately contested for the earlier versions).

1. EARLY POSITIVISM AND SOCIOLOGY

Positivist sociology emerged in the early 19th century in the context of the restoration after the French revolution. With Napoleon imprisoned at St. Helena, the progressive bourgeoisie found itself in a situation that Gramsci terms 'passive revolution' – the need to adjust to the conditions of political defeat and hence to advance in a 'molecular' fashion. As a class associated with commerce and private property, the French bourgeoisie had to deal with, 1) the industrial revolution on the British Isles, and 2) the need to develop an ethics in which the modernisation of the state achieved in the previous decades could be salvaged amidst a resurgent *Ancien Régime*.



Henri de **SAINT SIMON** (1760-1825) was prominent among those who resisted the idea of a return of the aristocracy and clergy expropriated in the revolution.

St. Simon saw the industrialists and craftsmen as the driving force of modern society and was concerned about finding ways to make them the

political directive class. He famously wrote that it would immediately be apparent which class is more vital to the happiness of France if the country would have to choose between losing its best engineers, scientists, artists, and businessmen; or losing the aristocrats holding state power, the clergy, and the landowning class (see his '[letter](#)' of 1803).

Through the convulsions of the revolutionary epoch, St. Simon claimed that France had lived through *a crisis*—not primarily of politics, but of social change, 'from a feudal and theological to the industrial and scientific system' (quoted in Therborn, 1976: 164-5). Positivism and sociology crystallised as a combined perspective to articulate and deal with this transformation.

Progressive Evolutionism

Sociology was characterised by Gramsci as 'an attempt to create a method of historical and political science in a form dependent on a pre-elaborated philosophical system, that of evolutionist positivism...'

It became a philosophy of non-philosophers, an attempt to provide a schematic description and classification of historical and political facts, according to criteria built up on the model of natural science. It is therefore an attempt to derive "experimentally" the laws of evolution of human society in such a way as to "predict" that the oak tree will develop out of the acorn' (Gramsci, 1971: 426).

The mechanical and statistical understanding of social change, however, tends to preclude insight into qualitative ruptures. 'Statistical laws can be employed in the science and art of politics only so long as the great masses of the population remain... essentially passive' (Ibid.: 428). But whatever its inherent limitations, statistics and more generally, the empirical and historical approach, highlight to what extent we are looking at an approach that is fundamentally different from the axiomatic economics and Rational Choice discussed in the last chapter.

Given that the overtly political demands of the bourgeoisie had been put on ice for the moment, the positivist sociologists emerging in the context of the restoration had to find a different reference point for their claims—science. Adopting the Kantian view that only phenomena can be known

as its starting point, 'positivism asserted that scientific knowledge was the only certain knowledge' (Ross, 1991: 17).

The vision of an impending triumph of industry and science descends from one of the constitutive social forces of the Atlantic revolutions of the late 18th and early 19th centuries, *Freemasonry* (see my 1998: 99-106). As a transnational liberal movement inspired by the Glorious Revolution in England and radiating from the British Isles, the semi-secret Masonic lodges campaigned for a separation of church and state. Their concept of progress was built around a firm belief in the blessings of science and the arts. Although St. Simon has sometimes been credited as a 'father of socialism', his role is better understood in this perspective, as the founder of the French technocratic tradition which has placed itself in the service of the nation.



[Auguste COMTE](#) (1798-1857), his long-time assistant, shared St. Simon's belief in the need to let science operate as the guiding principle of social organisation. Otherwise Comte was a conservative. Like St. Simon, he believed in an organic, evolutionary process of social change. It was Comte who coined the notion of positivism, the sovereignty of positive (proven, confirmed) scientific fact against superstition and prejudice. But its key objective was politically conservative nonetheless: positivism in Comte's view was 'the only guarantee against the communist invasion' (quoted in Therborn, 1976: 224).

In a way, positivist sociology from its earliest inception took its distance from the atomistic individualism of Lockean liberalism. The classical European tradition, Seidman argues (1983: 8), 'features holism, idealism, and historicism, [and it] marks a decisive break from Enlightenment social thought and from the Anglo-American tradition—both of which are rooted in the premises of social contract theory.' The Enlightenment thinkers already differed from the Anglophone tradition in that they

refused to accept the antinomy between natural man and artificial society; in the view of 18th-century thinkers like Voltaire or Hume, humanity itself is a product of family and society, and human nature is therefore social (Seidman, 1983: 22-3).

St. Simon, Comte and the later sociologists on the European continent developed their ideas on this premise. They were *modernisers respectful of the existing order*, and thus paved the way for what I have called a managerial perspective, once a rentier class had begun to leave day-to-day dealings with the workers in the real economy to a specialised cadre.

Comte's positive sociology is based on the notion that science could replace religion as the foundation of an orderly society. He eventually broke with St. Simon, shifting from a technocratic to a theoretically conservative position; in Seidman's words (1983: 55), 'philosophical conservatism entered into the mainstream of French sociology by means of Comte'. The liberal idea of the isolated individual in pursuit of self-interest, was unacceptable to the continental tradition. Comte instead stresses the notion of society as a totality, a unity of many parts that cannot be reduced to subjective drives. In the context of the restoration, conservatism left its enduring imprint on the positivist enterprise: it is (Seidman claims in the passage quoted above) 'manifested in sociology's abiding interest in, and underlying advocacy of, social order and stability, hierarchy, religion and moral order, social control, anti-utopianism, and an ethic of obedience and resignation'.

What St. Simon and Comte inserted into the conservative trend was their belief in science and the loss of confidence in religion as the force able to ensure social cohesion. In this respect they both, with different accents, sought to combine the tradition of French rationalism with a flexible, empirical approach (cf. [Turner](#), 1990).

Rationalism and Empiricism

Reuten (1993: 64) characterises positivism as an anti-metaphysical alliance between rationalism and empiricism. In Comte however there is still a strong dose of metaphysics: it comes in the form of a *philosophy of history*

which somehow towers over the sphere of daily life, guiding it from an unspecified higher plane. Comte's positivism is an unreflected idealism, concerned with 'spirit' and its mutations in the course of historical evolution.

Comte argued that a new era of philosophical inquiry was dawning in his life-time, based on the investigation of the laws of nature. After religious thinking and metaphysics (as a class of philosophical systems), it was this positive branch of philosophy that would allow the rational ordering of society. Comte uses an organic metaphor of growth that he applies both to individual life-spans and to historical societies. His *law of the three stages* through which society passes (theological-military, metaphysical, positive-scientific) is not a rigid periodisation though.

'In actual fact,' he writes in his *Sociology*, 'the theological philosophy has never been truly universal, not even in our initial, individual or social childhood.' Certain phenomena were always understood in terms of plain natural laws—he quotes Adam Smith that there has never been a god of gravity (Comte, 1971: 195-6).

Hence there has always existed a niche of 'positive' knowledge. But only in Comte's own era,

the laws of nature were finally revealed in forms that were numerous and varied enough to allow the human spirit to capture, in principle, the necessary existence of analogous laws relating to all possible phenomena, however remote their actual discovery still might be (Ibid.: 197).

Comte's *rationalism*, the idea that humanity inserts its conception of an orderly society into the material world it faces, as we saw had been pioneered in France by Descartes. In its Cartesian form, rationalism is based on the idea that thinking is an active process that instils order into the world (which it can do because there exists an inborn reason that all people share). Comte echoes this when he writes that 'according to the fundamental laws of human nature, the development of the species as well as the individual must, after sufficient previous training of all our abilities, give preference, spontaneously and to an ever greater degree, to reason over imagination' (Comte, 1971: 195). This is not the rationality of

the individual mind, it is an objective rationality that resides in the nature of things and makes itself felt by investigating the world as it is, empirically.

Empiricism as we saw is a British tradition that sees knowledge as the result of the registration of signals which reach the mind through the senses. Locke, Berkeley, and Hume were the main proponents of this view. Clearly the 'registration' process involved here must itself be a narrowly circumscribed procedure if we are to speak of real knowledge. Comte speaks in this connection of the 'meticulous rationality of the methods of the scientific spirit, applied to the most directly accessible target', which he contrasts with the frivolous pursuit of revealing impenetrable mysteries (Comte, 1971: 199).

Positivism, then, is rationality plus empiricism against metaphysics (including religion). It brings together the empirical confirmation of the spirit's conception of reality, with the active application of its insights to society. It is, writes Comte (1971: 199), 'the tendency to develop the means of our reason either to predict the phenomena of nature or to modify them through our intervention, which is the characteristic feature of the positive philosophy'. This will culminate, through a persistent exposure of the fruitless emptiness of theological and metaphysical representations, in the 'inevitable, *complete systematisation of the positive spirit*' (Ibid.: 200, emphasis added).

Comte's metaphysical philosophy of history however still works against this claim. In the words of Benton (1977: 30, emphasis added),

All Comte's analyses... point to the same imperative. The foundation of scientific sociology is an urgent political, as well as intellectual necessity. But by what method is such a science to be achieved and by what criteria is success to be measured? ... To answer these questions Comte propounds a general theory of the nature and development of scientific knowledge. In one important respect this theory breaks with classical empiricism. *For Comte the "knowing subject" is not the solitary individual but the "human spirit"*.

This, Benton argues, means that he adopts a metaphysical starting point, even though Comte then applies this to the history of science. The larger

philosophy of history, in which the social organism supposedly 'grows' to maturity and then reveals its inherent rationality, likewise can be seen as a breach of some of Comte's own claims.

Even so we can now see that the subjective rationality that is involved in positivism (and which in the early versions is still immersed in a metaphysical philosophy of history and quasi-Hegelian notions of collective spirit), differs from that discussed in connection to Rational Choice in the last chapter.

In theories of Rational Choice, the action taken by the subject is based on choice. Choices are rational by definition (following one's self-interest is rational); on this axiom, a deductive system with a strong prescriptive aspect is then erected. The prescriptive aspect lends Rational Choice its dogmatic side; it may be compared to religion (or any other ideology).

Positivism however is based on knowledge that has been gained through *investigation*. There is no preconceived notion on which the entire system turns, there is only method and empirical facts. This turns sociology into what Therborn calls 'an investigative instead of a dogmatic guardian of the ideological community' on which social cohesion is premised (Therborn, 1976: 224-5).

Both approaches are about discipline, but the one (micro-economics and Rational Choice) is rigid and doctrinaire, the other (positivist sociology) is flexible, it can adjust to changing circumstances. They operate of course in a complementary rather than adversarial fashion, because the imposition of discipline that they are concerned with, is part of a hierarchy in which the principles of liberalism and property occupy the high ground whilst management is an auxiliary, executive force that does not challenge these principles but rather is concerned with their practical consequences.

2. TOWARDS A SCIENCE OF SOCIAL CONTROL

In the course of the 19th century the need to control a growing industrial working class exposed to socialist agitation and Marxist ideas, required a flexible answer. Sociology now established itself definitively as the branch

of knowledge able to provide it. Whilst economics mutated into an axiomatic doctrine of free choice, sociology was meant to take the pulse of society to assess whether reform was in order. The growth of sociology as a descriptive science of social change, statistics, and of (neo-) positive method have continued into the present; there is constant pressure on academic social science establishments to take all three on board as a single package, pressure backed up by funding policy. This may be seen as an attempt of contemporary society to instrumentalise academic work and training for the maintenance of the key structures of that society intact in a flexible, non-dogmatic way (cf. [Giddens](#), 1976).

In Britain, sociology did not establish itself until after the Second World War; here economics and religion, empire and charity worked to impart social discipline. In the late-industrialising countries on the other hand – both the United States and the continental European countries – these tasks fell to the academic discipline of sociology already at the turn of the 20th century. ‘American sociologists... like the Durkheimians of the Third French Republic and the German sociologists around the *Verein für Sozialpolitik*, were engaged in an effort to secure the national identity in the face of political and industrial transformation’ (Ross, 1991: 255). Let us first look at Durkheim, since he like few others exemplifies the progressive, non-dogmatic and adaptive sociology of this period.

Durkheim's Reformism

The role of [Émile DURKHEIM](#) (1858-1917) must be viewed against the background of the French Third Republic that emerged from the collapse of the imperial adventure of Napoleon III and was constructed on the ruins of the Paris Commune of 1870-71. The workers' revolt in the closing stages of the Franco-Prussian war and its bloody suppression by the combined armies of defeated France and victorious Germany, left a legacy of bitterness. But whilst the ruling classes on both sides of the Rhine drew together in fear and vengeance, thus cutting off a reformist



approach until much later, Durkheim believed that *a compromise between the bourgeoisie and the workers was possible*.

To this end Durkheim sought to work out 'a reconciliation of the liberal and revolutionary traditions—to synthesize individualism and community, liberty and equality, pluralism and solidarity, collectivism and decentralized community autonomy, and economic progress and democratic planning' (Seidman, 1983: 151). His lifelong friendship with the historic leader of the French Socialist party, Jean Jaurès, leaves no doubt as to where he looked for the forces who could realise this aim.

In *The Division of Labour* (originally of 1893), Durkheim argues that in modern society, the 'mechanical solidarity' that traditionally held communities together, is replaced by the *organic solidarity* created by the division of labour. 'Whereas the previous type implies that individuals resemble each other, this type presumes their difference' (Durkheim, 1964: 131). That people nevertheless feel a sense of belonging, is via the attachment of the individual to their role in society. However, this is conditional on a sense that their contribution is properly recognised and rewarded; *inequality* in other words must be reined in.

Society is forced to reduce [the disparity that comes about through birth] as far as possible by assisting in various ways those who find themselves in a disadvantageous position and by aiding them to overcome it. It thus shows that it feels obliged to leave free space for all merits and that it regards as unjust any inferiority which is not personally merited (Durkheim, 1964: 379).

Durkheim conforms much more closely to the profile of a managerial thinker than Comte, whom he reproached for his conservatism. 'Durkheim formulated a doctrine that was responsive to the needs and critical disposition of the working classes, *yet in accord with the tradition of moral idealism among the democratic middle class*', Seidman concludes (1983: 177, emphasis added).

Marxism did not have much hold on the French working class until the 1930s. French workers were radical and militant, but little given to abstract theory; they were influenced by the democratic traditions of the French revolution, by the cooperative movement and syndicalism.

Durkheim's acquaintance with Marx's work dated from a period when his own ideas had already taken shape, so for him there was little reason to engage with Marxist thought either (Seidman, 1983: 147). Neither did he have to develop a method that would distinguish him from historical materialism, as Weber would (cf. Chapter 4).

What was and remains alive in the French democratic tradition, however, is the *critique of liberalism*. Here the organic, social-historical view dominant on the continent confronts the atomistic, social contract perspective prevalent in the Anglophone world. French liberalism never achieved hegemony, hemmed in as it was between the democratic and egalitarian traditions of the French Revolution and a militant Catholic conservatism.

Durkheim sees two strands in the liberal tradition, a Lockean and a Kantian. The Lockean strand is exemplified in liberal economics and tends 'towards a materialistic metaphysic, a naturalistic pleasure-pain psychology, an instrumentalist view of social action, and a notion of happiness as the highest moral and social end' (Seidman, 1983: 162). The subjectivism of Lockean liberalism, Durkheim writes, prevents that we come to objective conclusions. The axiom of the autonomous actor of liberal ontology, in his view was not so much a real logical premise, but a 'matter of faith'. A deductive system built around such a premise (as micro-economics and Rational Choice today), cannot engage with the real world.

Given the notion of an absolutely autonomous individual, depending only on himself, without historical antecedents, without a social milieu, how should he conduct himself either in his economic relations or in his moral life? Such is the question which they pose themselves and which they seek to resolve by reasoning (quoted in Seidman, 1983: 163-4).

To found a true social science, one must *liberate liberalism from the axiomatic premise that gives it an ideological status*. Instead of an a priori deductive foundation, it must be empirical and practical, but also inspired by an ethical conviction. This situates Durkheim in the tradition of the *subjective idealism* of Kant (cf. Chapter 4). This ethical approach, which assumes that change depends on whether people can be *convinced*, on

moral grounds, to do the right thing, has historically been very influential in Social Democracy.

Anglophone Sociology Between Evolutionary Liberalism and Discipline

Within the heartland of Lockean liberalism, meanwhile, Britain itself differed greatly from North America as far as the adoption of sociology goes. Throughout the 19th century, subjectivist economics and religion remained the dominant ideational forces in the mother country (Gammon, 2007). The one British social thinker of this era who is classed as a sociologist, [Herbert Spencer](#) (1820-1903), was an autodidact engineer and radical opponent of state intervention. In many ways, Hayek's ideas about the 'serfdom' the would result once the states interferes with the free market, are echoes of Spencer (cf. 'The Coming Slavery', a chapter title from *The Man Versus the State* of 1884, or 'From Freedom to Bondage', an essay of 1891). Spencer situated his radical liberalism within a theory of society as a self-regulating organism (an evolutionary determinism that was later reformulated as systems theory, cf. Chapter 6). Indeed terms like 'survival of the fittest', often ascribed to Darwin, were actually coined by Spencer (Spencer, 1982: 109; cf. Löwy, 2004: 99).

Such ideas became much more popular across the Atlantic than in Britain itself. In North America, the westward expansion of the 'Frontier' and the rapid succession of new waves of immigrants populating the society established in its wake (to which we return in Chapter 5), multiplied the 'social problems' that sociology is supposed to regulate. In the United States in the 1860s and 1870s, 'the harmony between science and religion declared by virtually all segments of Protestant Christianity proved increasingly difficult to maintain' (Ross, 1991: 54). The theories of Spencer and Comte instead fostered a new confidence in the 'facts' and 'laws' that underlie positivist thinking. After the turn of the century, *reform* become the order of the day, and this again is what sociology is meant to guide. Unlike Durkheim's France or Weber's Germany, however, the social reformers in the US had more room for manoeuvre because the labour movement too was in a state of constant flow and reorganisation

because of mass immigration; its ability to establish itself as a social force represented in the state, was accordingly much less than in Europe.

American social scientists therefore could become a guiding force in the reform movement that sought to control the transition of a landed society governed by gentlemanly self-regulation, to an urban, industrial society of large-scale organisations. Sociology in the United States had many connections with socially conscious Protestantism; [Albion Small](#) (1854-1926), the first chair in the field, closed his courses with a prayer in which he claimed that sociology was a force in establishing God's Kingdom on earth (Ross, 1991: 123-4). The real conflict in society, Small argued, was not between capital and labour but 'between those willing to rethink and hence "socialize" social problems and those unwilling to change' (quoted in *ibid.*: 225).

Certainly the social scientists, like the economists, had to actively take a stand against socialism. In the US, socialism against the background of racism and immigration could be dismissed as 'un-American' and countered by appeals to patriotism. This did not fundamentally depart from the flexible, managerial perspective typical of sociology everywhere. To quote Small again, 'in the Hegelian idiom, conventionality is the thesis, Socialism is the antithesis, Sociology is the synthesis' (quoted in Ross, 1991: 126). A colleague of Small's, F.H. Giddings, claimed that 'it is through the mediation of society that survival of the fit becomes the survival of the best' (quoted in *ibid.*: 220).

As sociologists followed in the footsteps of economists in setting up a professional organisation (with the same effects of fostering abstract, academic discourse and the marginalisation of radical opinion as a means of gaining social respectability), rivalry between the disciplines increased. This goes to the heart of my thesis: *after economics had been recast as an axiomatic system of subjective choice, sociology followed (often studying the same topics) by developing a flexible, empirical orientation to society using a fundamentally different method.*

Yet for all the harsh words between them and the mockery of each other's terminology and methods, there was, as Ross puts it (1991: 223), 'a

de facto truce. With the marginalist neoclassical paradigm taking hold, and the historical impulse in economics largely tamed, sociology was not much of a threat to the economists.'

The empirical study of social problems was not yet a narrow disciplinary undertaking: one project at the University of Chicago, a research programme on urban conditions led by Small and his colleagues, obtained the collaboration of the philosopher, John Dewey (we will meet him again in Chapter 5 as one of the founders of pragmatism), the social psychologist, George Herbert Mead, of Charles Merriam, the founding father of empirical political science.

The need to safeguard social development in terms of its essential structures fuelled the investigation of ways of moulding individual behaviour and ideas to conform to the social interest. E.A. Ross, the American sociologist, towards the end of the 19th century coined the notion of 'social control' as the principle involved and credited himself with having made a great new discovery in the field in doing so. Whereas J.S. Mill, who had used this term for the first time, still maintained that individual freedom should be prioritised against it, Ross and his colleagues placed social control in the foreground and made individual autonomy a subsidiary theme (Ross, 1991: 230, 237). Socio-psychological control of how individuals behaved emerged at a point when the liberal-capitalist order was being seriously contested. It was meant to securely anchor a normative order, Therborn's 'ideological community' (1976: 224) in which the liberal-capitalist values are central, and lend it the aura of science.

Controlling citizens was not a matter of policing them through external observation and coercion. Using public opinion surveys and studies and statistical studies of social trends, sociology rather worked to subtly direct individual actions into channels where they contributed to the maintenance of the existing order—without overtly restraining them except in case of extreme deviance. 'What society is struggling to accomplish,' wrote G. H. Mead, 'is to bring [the] social side of our conduct out so that it may, in some conscious way, become the element of control' (quoted in Ross, 1991: 248). The surveys simply allowed this control to be

adaptive and flexible, obscuring, as Ross puts it (1991: 248) 'just who was controlling whom.'

Unlike the axioms of micro-economics and Rational Choice, the sociological method is based on allowing people to have the illusion of self-government by continuous adjustment to their expressed preferences. But obviously, the registration of these preferences as objective knowledge, had to be governed by strict rules. This takes us to the second edition of the positivist enterprise.

3. THE NEO-POSITIVIST MUTATION

Positivism as a broader tendency was always incompatible with the axiomatic Rational Choice approach. Only in the early twentieth century, however, was the original positivism with its attendant philosophy of history (society/humanity *objectively* develops towards rationality) and reform programme (this should be used to get rid of reactionary ideas and social forces), narrowed down to method—*logical* or *neo*-positivism. Because this method is entirely concerned with the rules governing the making of meaningful statements, it abandons the philosophy of history and materialist associations of the older positivism. Whilst it tended to retain its progressive, 'left-of-centre' political associations, it now became a truly subjectivist, empiricist-agnostic approach which in its own way served to impose a particular ideological discipline on the social sciences.

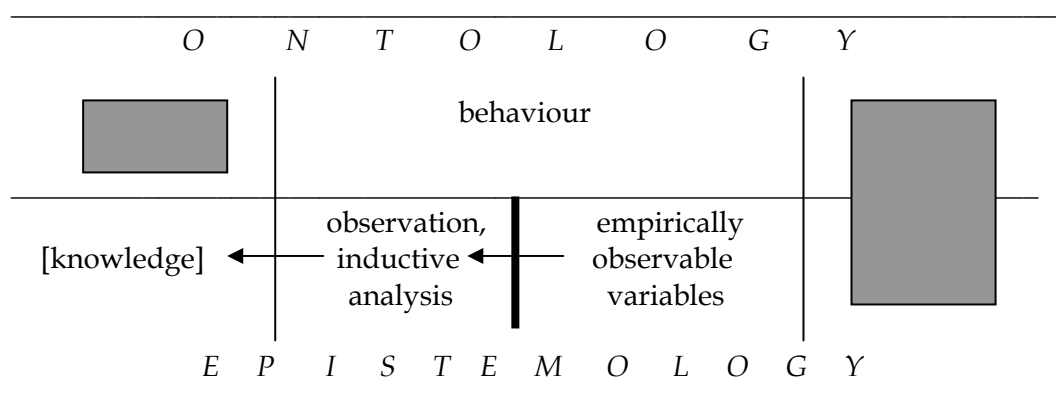
The Turn to Method

Around the turn of the 20th century, a new wave of 'cleaning up' the epistemological tradition by anchoring it more firmly in experimental /empirical science emerged. In the process, positivism left behind the aspect of objective rationality (there is something in historical humanity which pushes towards science becoming the criterion for the operation of society) to *subjective rationality* (it is in the subjective ordering of data for assessment that, if the proper scientific procedure is followed, 'positive' knowledge is obtained—or not). This mutation happened against the backdrop of great advances in natural science such as relativity theory, quantum physics, and other breakthroughs. Philosophers now felt the

need to generalise the epistemology on which, presumably, these successes had been based.

In Figure 3.1, the basic premises of the new positivist method are placed in a schematic form. The ontological premises are that empirically observable entities (what drives them, we do not know, hence the black box), display (observable) behaviour; again, as to the 'why' we are agnostic in principle (another black box). In terms of epistemology, on the other hand, there are very strict rules about formulating hypotheses (which have to be *empirical in form*, so e.g., 'God is good' is not a valid statement scientifically speaking) and testing. If variables are found to correlate significantly, this produces knowledge but all knowledge is provisional, dependent on further investigations. The ultimate truth is subject to the same black box as is the ontological essence of the world.

Figure 3.1. Neo-Positivism and Empirical Science

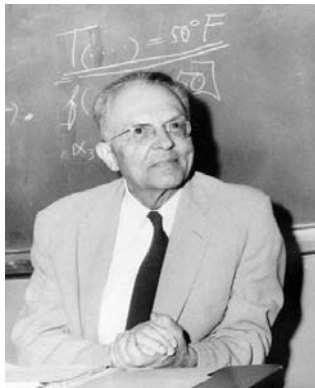


As with the original positivism, there was a strong element of bourgeois, modernistic rejection of antiquated values such as religion, nationalism, and militarism, but also, socialism. From all this the clinical world of scientific knowledge should be sharply distinguished. It is of some importance that Berlin and especially, Vienna, were the focal points of the 1920s positivist wave, because these were the capitals of dissolving empires, in which late-feudal society had collapsed and socialism was knocking on the door (Janik and Toulmin, 1973).

Neo- or logical positivism was a term later applied to the work of a circle of people working in Vienna. It meant to strip Comte's legacy of its remaining metaphysical elements and turn it into a formal method which puts a set of rigorously defined rules of investigation and conclusion in the hands of the thinking subject. As Neufeld puts it,

The adjectival modifier "logical" in logical positivism indicates how this variant of positivism attempted to overcome the limitations of Comte's approach. What marked the work of the logical positivists was the central role played by symbolic logic, as developed by Russell and Frege. By means of symbolic logic this group of philosophers attempted to purge the last vestiges of metaphysics from the positivist legacy (for which they blamed, in large part, Comte himself) by providing a precise, formal rendering of the structure of science (Neufeld, 1995: 25).

Ernst Mach, professor of the Philosophy of the Inductive Sciences in Vienna and teacher of Albert Einstein, at the turn of the century became known for his claim that science is fundamentally the description of *experience*. A group of natural scientists and the economist, Otto Neurath, in 1907 began to meet regularly to discuss the implications of this position, bringing in the tradition of French positivism. After World War I, this 'Vienna Circle' succeeded in having Moritz Schlick appointed as Mach's successor (cf. *Epistemology and Modern Physics*, 1925). In the late 1920s and the early 30s, before they had to flee the Nazis, the work of the logical positivists became more programmatic and they set up their own journal, *Erkenntnis* (knowledge) (Passmore, 1967).



The aim of unifying science by taking *physics* as the model was central to the neo-positivist programme. As [Rudolf Carnap](#) (1891-1970), one of the Vienna Circle, put it, the language of physics should become the universal language of science. All scientific statements can be expressed in one language, with one method. Philosophy, he argues, does not represent a separate system of philosophical statements; rather the task of philosophy is the clearing up of the concepts and the statements of science. This suspends the distinction between philosophy and the sciences as separate spheres of

knowledge. Philosophy deals with two aspects of science (see also *Philosophical Foundations of Physics*, 1966)

- One, the empirical *content* of statements (sentences, 'Sätze'). 'One observes, experiments, collects and elaborates the material of experience'.
- Secondly, the *form* of scientific statements. This concerns the statements of logic and mathematics, which are tautological and valid on the basis of form alone (i.e., when they do not break their own rules), and all other statements. These, to be meaningful, must express states of affairs in a way that allows them to be translated into the language of physics, that is, they must assign a value (or an interval on a scale or a probability distribution of values) to a set of coordinates defining the space-time position of the state of affairs they refer to (Carnap, 1931: 440, 463).

Obviously very little can really be said on anything outside physics if a statement has to meet these criteria to be meaningful. To make the proposition 'the United States and Britain have gone to war with Iraq in 2003 because they were seeking to disarm the dictatorship of its weapons of mass destruction' meaningful according to Carnap's criteria (before we establish its truth or falsehood) means it has to be translatable into the language of physics, which leads to absurdity. The reason why this perspective gained so much resonance is because it attacked grotesque claims of metaphysical idealism, about the intentions, movement, and other supposed attributes of 'the Absolute' for instance; and because it had the prestige of the new physics (Einstein, Planck, Bohr) behind it.

Carnap also radicalised the subjective aspect of the new positivism to the point where he reached the conclusion that a general law of science is not itself meaningful, only an individual statement can be (which may include the general law). His subjectivism even went so far as to imply that a statement is only true for the individual who has made the claim and verified it.



The aim of developing a formal criterion for meaningful statements, linking a statement to a state of affairs, therefore had to be moderated. From [Ludwig WITTGENSTEIN](#) (1889-1951), an eccentric member of the wealthiest business dynasty of Austria-Hungary, and with whom the Circle members were in frequent contact, the neo-positivists took the idea of the verifiability principle—*the meaning of a proposition is identical with the method of verifying it* (Passmore, 1967: 52).

So the meaningfulness of the statement about the purported motive of the Anglo-American invasion is supplied by identifying a strategy including the collection of documents which make it evident that this was indeed the case or not, perhaps with a set of CNN tapes added to give visual confirmation. If the war supposedly was motivated by five different sets of reasons, this would have to be broken down into five different statements, each of which with its own list of steps how to verify each separate statement—say, if the claim is that the war had five causes, five lists of verification procedures. Cumbersome but still possible. But the statement ‘the meaning of a proposition is identical with the method of verifying it’ itself was found to be *not* meaningful, Passmore notes, because it is not logic or mathematics and it cannot be applied to itself on its own criteria.

What the neo-positivist movement did achieve (the *Encyclopaedia of Philosophy* in 1967 declared Logical Positivism itself dead!) was to revitalise academic empiricism in the English-speaking world. This was undertaken with gusto and great effect by [A.J. Ayer](#) (1910-1989) in the 1930s (although [Karl Popper](#), cf. below, became even more of a household name after the war). All genuine propositions, writes Ayer, are either *analytical* statements (relations between ideas, such as logic or mathematics), or statements of *fact*. These are to be considered ‘hypotheses, which can be probable but never certain’. The meaningfulness criterion in Ayer then runs,

I require of an empirical hypothesis, not indeed that it should be conclusively verifiable, but that some possible sense-experience should be relevant to the determination of its truth or falsehood (Ayer, 1971: 41)

In contrast to Rational Choice theory in its various forms, there cannot be a rigid assumption that people act on the basis of interest maximising in a neo-positivist perspective. There can at best be a hypothesis that such is the case and that must then be tested in every individual case. As Ayer puts it (1971: 62), we have not freed ourselves from metaphysics to bring back deductive reasoning based on *first principles*, in which one claim is logically argued to follow from the other, but the first one is not itself tested. Hence the Rational Choice strand of subjective rationality discussed in the last chapter (and thus, neo-classical micro-economics), does not meet the criteria set by Ayer.

However, there is a strong structural similarity between the positivist epistemology and Rational Choice in that both assume a strict separation of subject and object. So just as the marginalist economists assumed a real world of atomistic subjects each making economic decisions on the basis of subjective valuations, or a player in a strategy game, the neo-positivist methodology proceeds from the isolated subject in its theory of knowledge.

The economic subject in real life engages in the economy by selectively introducing assets in order to maximise gain; the subject of knowledge engages in the world of facts by hypothesising about what may be related to what, and how; and then testing these hypotheses empirically. What the neo-positivists contribute is an increased suspicion of people's motives and emotions, which is why the procedure of making statements and the rules of their verification are so prominent. The rationality of the subject (in real life economics as much as in positivist epistemology) as it were has to be formally safeguarded from subjective values alien to scientific argument and observation. This is why the positivist canon emphasises so strongly that science has to be value-free.

The subject, then, is structurally separate from the object, and if there is no inborn rationality the subject can rely on, s/he can at least strive to adhere to the established rules of scientific observation of facts. With the

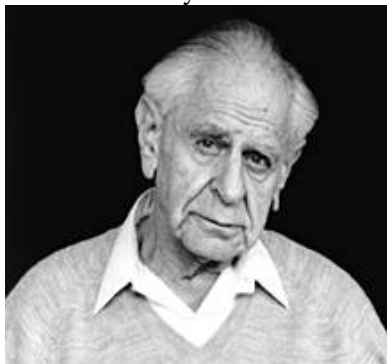
materialist counterpart of empiricism long forgotten and replaced by agnosticism, the world out there is seen as a random collection of events, from which facts are obtained by observation or experiment, which if confirmed, yields knowledge.

Managerial Flexibility as Academic Orthodoxy

If we look at neo-positivism in terms of the sociology of knowledge, it has often been observed that it fits particularly the society of Cold War class compromise, building on the managerial revolution, Fordism, and state intervention.

Ayer's *Language, Truth and Logic* was republished in 1946 and became the topic of intense debate in intellectual circles with the onset of the Cold War. The idea that statements that cannot be tested, are outside the purview of scientific concern and meaningless from that angle, was seen at the time as an expression of a managerial attitude to society oblivious of wider moral and ethical concerns. A review of Ayer's book in the late 1940s combined it with a review of James Burnham's *The Managerial Revolution*, and claimed that the philosopher's work might become the *Summa Theologia* of managerial society (a reference to the unquestioned authority Aquinas' late-mediaeval scholastic treatise).

In the same period, the writer, Iris Murdoch, also teaching at Oxford, claimed that his neo-positivism promoted the ethics of the Cold War by excluding systematic political theorizing from 'scientific' activity. The sanitised language of the neo-positivists simply did not allow arguments on a scale beyond minor adjustments (quoted in Hewison, 1981: 43-4).



Karl POPPER (1902-'94) had been Hayek's comrade in arms in the battle against the encroaching state and participated in the founding session of the neoliberal Mont Pèlerin Society. But Popper did not subscribe to Hayek's axiomatics of choice. He was an empiricist, who held that no claims can be made about the world except in terms of

observables. So paradoxically Popper stands on the other side of the economics/ sociology divide.

Popper's *The Open Society and Its Enemies* of 1945, written in a coordinated effort with Hayek's *Road to Serfdom* published a year earlier, shared the rejection of the planning role of the state. It presented the thinking of Plato, Hegel and Marx as inherently threatening freedom, and argued that an 'open society' could only be constructed on liberal principles. Politically, Popper nevertheless belongs to the reformist tendency that is historically associated with positivism and sociology; in other words, to the managerial alternative and complement to Hayek's neoliberalism and Rational Choice. Popper distinguishes the piecemeal reforms of moderate socialists from the 'utopian' socialists who want to remake society (Benton, 1977: 38).

Popper's methodology was also based on the notion of step-by-step hypotheses. These must be formulated so that they are open to *falsification* (rather than verification); non-falsifiable claims are outside the realm of science, and are of a moral, religious, or aesthetic nature. Thus a fund of tested and non-falsified claims about the world can be built up, and science progresses by devising new tests (Popper's solution that we should not look for verification but for falsification was actually rejected by Ayer because 'a hypothesis cannot be conclusively refuted any more than it can be conclusively verified' – Ayer, 1971: 51).

Popper's method borrowed from the British positivist, Karl Pearson, in his *Grammar of Science* of 1892. In Pearson's view, facts, if properly (logically) ordered and handled, would provide the building blocks for 'the great building of knowledge'. Science should firmly reject any 'metaphysics', as well as 'personal feeling or class bias'. Pearson also pioneered the use of mathematics and statistics in the study of society (quoted in Ross, 1991: 157, cf. 228).

Popper's arguments about the advance of science were also challenged by Thomas Kuhn in *The Structure of Scientific Revolutions*. Kuhn maintained that the great advances in science had never been made by way of the procedure described by Popper (step-by-step testing of

hypotheses within an established consensus about fundamentals, 'normal science'). Instead they result from creative departures from this consensus which establishes a new *paradigm*. The Popperian method, in other words, at best describes what happens when there are few breakthroughs and science so to speak is keeping on the established track (cf. on Kuhn, [Urry](#), 1973).

But here precisely lay its attractiveness to Cold War social science in the West. If students could be trained to take the existing world view (and hence, the prevailing social order) for granted by teaching them never to step outside the bounds of the empirically evident and challenge the basic assumptions, their intellectual role could be made useful to preserving the existing order and yet develop that margin of investigative, empirical outlook necessary to keep that order flexible—the original aim of positivist sociology.

Behaviourism and IR Neo-Realism

The principal neo-positivist turn made in US social science was *behaviourism*. It built on Pavlov's experiments with conditioning the reflexes of animals. Behaviourism entered the social sciences through the work of the American psychologist, J.B. Watson, in the 1920s. Watson studied animal behaviour as a means of uncovering the laws of behaviour. For our purposes it is important to see that in behaviourism, we come to the opposite extreme of axiomatic rational choice: 'behaviour', Ross sums up its conclusions, 'was chiefly guided not by rational thought but by biological impulses combined with conditioning. Behaviourism promised the scientific control of life to a generation who felt their lives increasingly out of control' (1991: 312).

It was this notion of describing behaviour whilst completely abstracting from any inherent drives except biological and conditioned responses to stimuli, which also was taken up in the broader social sciences including international studies. In IR neo-realism as argued by Kenneth Waltz in his *Theory of International Politics* of 1979, prior attempts at an objective theory of IR as non-rigorous.

As we will see in Chapter 4, the original 'realism' of E.H. Carr as well as the cruder versions of realism in the United States such as Hans Morgenthau, all rely on some form of association or empathy with a particular state, its goals, its particular tradition, and its means of coercion or conviction. In order to make really sure that the subject is entirely divorced from the object of knowledge, so that no remaining attachments that may distort his/her views persist, the object must be described in terms of its objective properties only. Waltz does this by interpreting IR as an objective system, and yet, paradoxically, this is a subjectivist method.

Neo-realism is not a systems theory in the sense that it develops on account of an inherent objective rationality; about that we are agnostic. Waltz's concern is to be as parsimonious as possible concerning the motives on which states act. All that we can know about the system (which therefore is no more than a hand of cards placed on the table) is a) the nature of the international system as one of anarchy; b) the system is composed essentially of sovereign states; and c) these states in essence perform in the same manner, so what determines their actions is the distribution of capabilities across the system. The only structural property of the system we can safely assume to exist is the polarity between states which are relatively well endowed with capabilities and those who are not.

Strictly speaking, states in this perspective act according to their interests, which are however reduced to the barest minimum, survival. So one might also claim that Waltz's theory can be understood as a Rational Choice approach, including the game-theoretical representation of the interactions between states. Here we are reminded of a central claim of neoclassical economics, i.e., that it is deductive and axiomatic *and* empirical (cf. Lipsey, 1982). Yet this contradictory claim can only be maintained by remaining extremely vague about the extent of the rationality underlying the choices made by states, and refraining from actual research, so that the compound result is still an axiomatic, deductive approach first of all.

The Limits of Linguistic Correspondence

The question that remains is whether the highly restrictive scientific language prescribed by neo-positivist/Popperian methodology still makes meaningful claims possible.

Here Wittgenstein played a crucial role. Like Bertrand Russell, Wittgenstein began as an atomist, that is, there are only separate facts and every situation is a random collection of such facts. The problems really start when we rely on real language to get at these facts. Since language signs are arbitrary, how do we know that 'horse' really corresponds to the animal in non-linguistic existence? But then, the problems only really begin once we move to more complex propositions—science will not advance much by establishing the factual correspondence between a word and a thing.

Wittgenstein's initial solution for the problem of establishing the correspondence between an 'atomistic proposition' and a possible atomistic state of affairs, is to find a *structural similarity*, like the one between sheet music, a record, and the music we hear. Although completely different physically, they share the same set of elements (Nuchelmans, 1969: 114). However, he conceded that ultimately, the correspondence between language particles and non-linguistic states of affairs remains elusive. 'What can be shown, cannot be said', says thesis 4.1212 of Wittgenstein's *Tractatus Logico-Philosophicus*. If we read this in reverse order, the entire neo-positivist enterprise can go to the scrapheap.

In his later work in the period around World War II, after he had moved to Cambridge, Wittgenstein therefore rejected his earlier attempts to find unequivocal correspondence between a language proposition and a state of affairs. He now moved to a sort of language sociology, accepting that language is a living entity which people use apparently loosely, not concerned with whether statements are meaningful in the positivist sense.

Thus he established that a single word (a *signifier*, cf. our Chapter 10) usually denotes a range of different things and activities. Making out *what* is being signified, becomes very difficult because what is covered by the

word is rather a series of similarities and affinities. Thus the word 'game' can refer to a card game or a football match, etc.; and the more we focus on trying to pin down the essence of a game, the more the word proves elusive in its meaning which keeps expanding in all different directions. Wittgenstein proposed to call the commonalities among the signified realities captured by a single signifier, 'family resemblance'. Although not a single specific instance of a game contains the essence of what a game is, all share some (not all) of a definite number of characteristics which allows us to speak of a game (Nuchelmans, 1969: 12-4, basing himself on Wittgenstein's *Philosophical Investigations*).

Language itself, Wittgenstein concluded in the end, is actually also a *game*. Words have meaning and effect because they function in the context of one or another language game. Their meaning and effect and the game itself usually can only be fully understood if we take into account the comprehensive *life-form* or culture of which it is a part (Nuchelmans, 1969: 178). But here we leave the strand of subjective rationality that is characteristic of neo-positivism and atomism, because we move towards interpreting separate elements (words, meanings) by referring to their function in a larger whole. In that perspective, the world by implication becomes knowable, potentially transparent (otherwise we would not be able to search for function etc.), at least as far as utterances and meanings are concerned. This selective opening up of the objective world, partially lifting the shroud of darkness, is what characterises hermeneutics, the strand we turn to in Chapter 4 (cf. the case for an 'interpretive' instead of a positivist approach in anthropology, [Roscoe](#), 1995).

Hollis and Smith in their comparative study of the positivist and the interpretive approaches in IR argue that the reason why Wittgenstein's later ideas have not had much influence in international studies is because the specificity of a country's foreign policy like Islamist Iran (which could be interpreted as the expression of a *life form* in Wittgenstein's sense, and interpreted in terms of meaning defined by that life form) tends to be overridden by the workings of the international system: 'pressures emanating from the international system override the specifics of forms of life or ideology' (Hollis and Smith, 1991: 85).

Applying the Method

It is not easy to find research in any field of GPE, IR, macro-sociology or large-scale history, that really obeys the strictures of neo-positivism to the letter (cf. Neufeld, 1995). Often it is used as a means of disciplining our imagination, i.e., as a means of disqualifying other approaches, rather than to actually conduct research. But perhaps also for that reason, the rules are spelled out in great detail. Because the training given to most students is in the spirit of atomistic neo-positivism, these rules tend to conform to our intuitive sense that 'rigorous' research begins by strictly following them.

Another attractive side to neo-positivism is that the structure of the argument and the criteria of assessment (verification/falsification) *are the same for statements about nature* (the stars, subatomic particles, plants), *and for those concerning society*. That is common to all strands within this broader tradition, if not indeed what actually binds it together (Hempel, 1973: 10). Thus, the obvious successes of natural science lend plausibility to the use of the method also in the social sciences.

The first step in the procedure is the formulation of a *hypothesis*. If we think back of the criteria listed at the end of chapter 2, consistency and plausibility play a role here. But of course one should not shrink from posing a bold hypothesis if there are (empirically speaking) some indications that we may be on the right track. Carl Hempel gives examples of how deaths of women giving birth in a mid-19th century hospital were thought to be caused by the coming of a priest for the last rites, whose presence caused such fear that other patients weakened and died, too. But a small test turned out that this was not true, so the hypothesis was not further worked out. On the other hand, a hypothesis that something from dead bodies (the notion of micro-organisms was not yet available) spread to others, seemed to be corroborated by other facts, such as the circumstance that women who give birth in the street, had a greater chance of survival because there were no dead people around in the street as there were in hospital.

So this was taken as the hypothesis.

The second step (apart from simple experiments like sending a priest through the women's ward to check the plausibility of the hypothesis), is *testing*. Testing is not just a matter of checking the hypothesis against statistics or so. It begins with finding the *test implications* of the hypothesis. If we want the hypothesis H to be corroborated, the implications, 'I', follow. So H is, women die whilst giving birth because of infection in hospital; implication I, would be that if we take measures against infection, the number of deaths should go down. However, this can also be a coincidental connection which actually refers to other causes. So whilst we may say H is true, I holds (is also true). This can be extended by finding more test implications. So we get a range of observable indicators which corroborate H, I_1, I_2, \dots, I_n , all hold (are true). (Hempel, 1973: 18-20). Of course, both the hypothesis and the test implications must have a form which satisfies the criterion of empirical observability: claiming something which one cannot verify/falsify in any way falls short of the criterion of positivism.

The third element, which should rule out coincidental generalisations, are *general laws* ('L'). Hempel says that all or most laws of science are probability laws, that is, they suggest that there is a certain likelihood that something will general have certain (general) consequences, dependent on *certain conditions*. (Hempel, 1973: 116-8). Here we may think back of the assumptions of economics and rational choice that are so often used as axioms.

Summing up, the procedure to follow in the positivist tradition begins with a hypothesis, its test implications, and verifies these; which then finally is complemented by identifying the general laws that are involved. For example,

- H: The reason why companies do not voluntarily adopt ecological standards, is that this runs against profitability criteria which decide their fate,
- I_1 : companies that adopt ecological standards have lower profit rates, I_2 : companies that adopt ecological standards go bankrupt

more often, and I_n , more corporations in the Fortune 500 are companies ignoring profitability criteria than companies observing them.

- L: the main general law involved is that profit is the condition for the ability to invest (high probability), assuming that ecological factors (air, fresh water, top soil) are public goods in conventional economics, so there is no incentive to unnecessarily turn them into cost factors reducing profitability.

This then provides a structure to a research paper. H, is proposed from exploratory reading; I, from the same, inferring possible test implications; whilst L is based on study of the laws of the relevant field (economics in this case). However, neoclassical economics precisely is organised around the axiom of individual rationality so that strictly speaking, its premises disqualify it as a theoretical framework for an empirical investigation.

What remains of the positivist enterprise is the notion that at some point, evidence has to corroborate any thesis concerning society. In the procedure described here, this evidence is the *final step*, the test that validates or invalidates the thesis (in other approaches, empirical data may enter at a different point in the analysis).

4

Hermeneutics, Weber, Constructivism

The *hermeneutic* tradition we turn to in this chapter (from the Greek for ‘interpreter’) developed as a critique of *a)* the social atomism of the English, empiricist tradition, *b)* Cartesian rationalism, and *c)* the universalistic assumptions of Enlightenment thought, which radiated from France across Europe in the 18th century. The epicentre of these three lines of criticism was Germany, more particularly, German *romanticism* – the nostalgic-conservative, yet theoretically often innovative search for community, the exaltation of feeling over rational calculation, and of closeness to nature against mechanisation.

The hermeneutic tradition too belongs to the subjectivist strand in social thought in that the rational is seen as an attribute of the subject. However, it consciously seeks to reinsert the subject into the social world, shortening the distances between the human subject and his/her fellow beings both ontologically and in its epistemology.

In contrast to the model of explanation developed in natural science, the hermeneutic tradition rejects the positivist idea that there can exist a single method for both the natural and social sciences. The social world is a universe of *meaning(s)* which demands an approach specific to its object, and hermeneutics seeks to gain insight into society by interpreting what motivates others (*introspection*), ‘understanding’ in the sense of empathy

(German *Verstehen*)—something not possible when studying the moon or the ocean floor.

1. HERMENEUTICS AND NEO-KANTIANISM

The starting point for all authors discussed in this chapter is the *subjective idealism* of Immanuel KANT (1724-1804). Instead of Kant's cosmopolitanism, however, their loyalties shifted to the (German) *nation*; for his (qualified) empiricism they substituted the method of introspection.

Kant sought to achieve a synthesis between British empiricism (which recommended itself by its successes in natural science—Newton—and of which David Hume at the time was the most prominent representative, cf. Kant's *critique of Hume*) and the rationalism of Descartes, the idea of an inborn capacity to rationally understand oneself and the world. His solution was to argue that people are equipped with two innate modes of perception (*Anschauungsweisen*, i.e., time and space) and twelve *categories* (number, causality, etc.). These allow them to order empirical phenomena. In addition, every human is born with three 'transcendent ideas' (God exists, I exist, the world exists).



However, as soon as one probes beyond the empirical, phenomenal aspect of reality and tries to penetrate the *essence* of things, all this equipment is of little use, Kant argues, because the empirical reference point (something is the case or not), is absent. The essence, what he calls the 'thing in itself' (column 4 in Figure 1.2) remains out of reach for the 'pure reason' with which humans are equipped. On such fundamental issues as whether humans are free or determined, whether time and space are finite or infinite, etc., human reason cannot reach unequivocal conclusions; it becomes mired in contradiction (Kant speaks of 'antinomies'). Such questions are the province of morality and theology, which in Kant's view had an important role to play in bringing about a good society.

By his transcendent ethics, Kantian subjectivism 'embraced an idealist metaphysic or a spiritualist view of nature, asserted a normative conception of social action, and posited freedom and human dignity as the highest moral view' (Seidman, 1983: 162). In this respect it broke with the egoistic utilitarianism and social atomism of the Lockean tradition. One line of how Kant's legacy was taken further, is the totalising, 'objective idealism' of G.W.F. Hegel, to which we return in Chapter 8. The other, which attacked the Enlightenment idea that all human qualities and experiences are by nature *universal*, is hermeneutics.

Roots of Hermeneutics in Romanticism and Theology

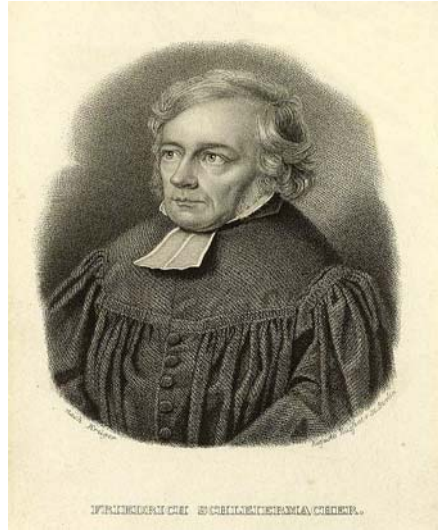
Kant's contemporary, the philosopher and theologian, Johann Gottfried [Herder](#) (1744-1803), stands at the origin of the hermeneutic tradition. His critique of the Enlightenment idea of universal human progress was laid down in a series of sketches for an alternative philosophy of history, beginning with *Another Philosophy of History to Educate Humanity* of 1774 (a work published ten years later was actually subjected to a highly critical review by Kant himself, cf. Irmischer in Herder, 1997: 159).

Herder does not deny the massive achievements of the Enlightenment. However, he deplores that its philosophy created a cold, disenchanted world in which humans had lost the ability to understand, feel, and enjoy past forms of wisdom and virtue (Herder, 1997: 12). He cautions against an overemphasis on 'reasoning, if disseminated too carelessly, too uselessly—as if it could not weaken, and really did weaken, inclination, drive, the activity of life' (ibid.: 63). What is needed is a return to *feeling*. After all, to understand any action of a people ('a nation'), one must recreate the entire picture of its way of life, habits, needs and the peculiarities of the land and the sky above it; one must *sympathise* with it. To feel its all-embracing soul, Herder argues, don't take its utterances at face value, 'don't reply to the word straightaway!'

Enter into its epoch, into its region under the sky, its entire history, empathise with everything [*fühle dich in alles hinein*]*—Now you are on the way towards understanding the word* (Herder, 1997: 29).

The same applies to understanding a foreign language: one must be familiar with the circumstances of the people speaking it. It requires an extraordinary sharp mind 'to penetrate into these circumstances and needs, and modesty in equal measure to moderate when explaining different epochs' (Herder, 2001: 65). This sums up the hermeneutic method – *entering into the mental world of the society studied*.

Friedrich SCHLEIERMACHER (1768-1834), a theologian and colleague of Hegel's at the University of Berlin, took Herder's insights further. He also shifted the emphasis from romanticism to theology. Schleiermacher argued that religion, unlike science and art, was a matter of *revelation*, which came about through 'intense listening' and 'being captivated in childlike passivity' (quoted in Boer, 1991: 43).



Schleiermacher developed a systematic method for the interpretation of canonical and classical theological texts, which led to a procedure that can generally be applied to written and oral language expressions. *Interpretation* is again the key term. Conclusions cannot be drawn on the basis of observation (in which subject and object are separated); the subject 'enters' the object by situating him/herself within it. This process, called 'divination', is composed of two steps: 1) 'Placing oneself within' ('*Sichhineinversetzen*') and 2) 'copying' or 're-living' ('*Nachbilden*', or '*Nacherleben*').

What happens in this process is that the interpreter *shares the inner experience of the thinking, speaking or acting of the object*, and once 'inside', attempts to reconstruct how this speech or thought act or practical act came about in terms of motivations, the creative path to it. Schleiermacher was the first to develop this insight into an integral approach.

The divination process is complemented by *comparison*, and the method as a whole consists in a constant back and forth between divination and

comparison ('approximative oscillation'), *without ever reaching complete knowledge* (Keulartz in Dilthey, 1994: 45). Note the differences with the positivist concern about verification, acceptance/ rejection of a hypothesis, etc.

- Knowledge is never 'positive', only an approximation, however hard we try;
- to acquire knowledge is an *inter-subjective* process: we move from our own mind into somebody else's and back. There is a *forensic* aspect involved that is absent from empiricism/positivism.

Even so hermeneutics remains firmly anchored in the subjectivist epistemology on which all actor-oriented theories are based. Like other subjectivist thinkers, Schleiermacher sees the subject as facing an *ultimately impenetrable* world – hence the limits to our knowledge. As Boer writes in a discussion of Schleiermacher (quoting the latter's 'On Religion' of 1799),

The reality experienced by modern, bourgeois man, *is a dark enigma*; the unknown is dangerous; nature and one's fellow man are the enemies... The "feeling of infinity and god-likeness" is a forced attempt to repress from consciousness the experience of "his limitations..., of the overall coincidence of his form, of the inaudible disappearance of his existence into the immeasurable" (Boer, 1991: 44, emphasis added).

Hermeneutics, then, centrally implies a separation of the human world from the natural world; each requires its own, specific method. In the second half of the 19th century, the theological aspect further receded from academia, but the appreciation of a transcendent, collective mindset that pervades both the social relations studied and the subject studying them, remained. Towards the close of the century, these principles were further developed by hermeneutic thinkers such as Dilthey. Another group of thinkers, the neo-Kantians, synthesised the Enlightenment legacy of Immanuel Kant with some of the insights of the romantic-hermeneutic tradition. In their slipstream a number of authors combining aspects of these two strands added further accents, notably Max Weber.

'Meaning' At Both Ends of the Interpretive Method

Whether they continued in the hermeneutic tradition, like Dilthey or Heidegger, or pursued the neo-Kantian alternative with its greater stress on rational individual judgment (Max Weber belongs to this strand), all authors discussed in this chapter, albeit to different degrees, share the notion of *a collective mindset bound to time and place*, which infuses social reality with *meaning* and pervades the subject's perception in turn.

Wilhelm DILTHEY (1833-1911), Schleiermacher's biographer, rejects the idea of an *a priori* rationality of the subject. A human being is not just an intellectual being, but also a feeling and acting being who shares in the



collective mindset of his/her place and epoch (Keulartz in Dilthey, 1994: 23). In one of his early works, Dilthey argued that psychology is not a science of explanation but one of introspection and understanding.

Although both theology and metaphysics have evacuated academia, Dilthey argues, in society they remain operative as 'a metaphysical mood which cannot be suspended, which is at the root of every attempt to provide evidence and which will survive them all' (Keulartz in Dilthey, 1994: 10; cf. Dilthey's *Introduction to the Human Sciences*, 1883 (fragments). It is this metaphysical mood that pervades the individual or group and which must be taken into account when interpreting its utterances. So whilst there is something objective and fixed in the human Ego which manifests itself in all human actions and thought (the 'anthropological' Ego), it is blended with elements that refer to the broader canvas of meaning which is a product of an epoch and a particular society (Keulartz in Dilthey, 1994: 30). As we will see in Chapter 10, this comes close to Freud's distinction between, respectively, the 'Id' and the 'Superego'.

One of Dilthey's pupils, the American sociologist, **George Herbert Mead**, developed the notion of *interaction* as the process through which meaning is constructed (Keulartz in Dilthey, 1994: 35; cf. Mead's *Science and the*

Objectivity of Perspectives, 1938). This would become one of the sources of social constructivism (cf. below).

The *neo-Kantians*, active in the same period as Dilthey, were concerned with salvaging the legacy of Enlightenment thought—notably the aspects of individual rationality and moral individualism, and the notion of responsibility. Otherwise they shared important insights with the romantic-hermeneutic strand. The different accents in their work produced two separate schools (Rehmann, 1997: 127):

- The Marburg School (Hermann Cohen, P. Natorp, E. Cassirer) which built on Kant's *epistemology* (the idea that the subject is born with a priori categories in the mind allowing for the ordering of sense perceptions, but not fit for penetrating ultimate truths) and
- The Heidelberg School (Wilhelm Windelband, H. Rickert, E. Lask) which instead built on Kant's *practical philosophy and ethics*. Here the famous 'categorical imperative', a maxim of ethical behaviour (only do such things that deserve being a general rule), is at the centre of an attempt to construct a philosophy of values.

All of the neo-Kantians shared the position, inherent in hermeneutics, that social ('cultural-historical') science is qualitatively different from natural science and hence requires a different methodology. The subject in each case faces a different object—another 'subject', or a real object that cannot talk back. The *generalising* method of the natural sciences thus is juxtaposed to the *individualising* method of the cultural-historical sciences. In the terminology of Windelband,

- the natural sciences proceed *nomothetically*, by law-like generalisation (from 'nomos', law; as in positivism);
- the social, or rather 'cultural-historical' sciences on the other hand proceed *ideographically*, by individualisation.

In the context of the belated German unification in 1870, realised by war and revolution from above, and hence lacking France's powerful democratic tradition or English liberalism, the neo-Kantians developed

the idea that subjects are or at least should be guided by moral imperatives that cannot be reduced to individual rationality. Positivism, materialism, Hegelianism and Marxism on the other hand were all ruled out on the grounds of either the specificity of the 'social', or because they failed to take into account the axiom of individual responsibility. The neo-Kantian alternative thus is a subjectivist approach, no doubt with a critical undercurrent, but without a historicising perspective (Seidman, 1983: 204-5). An example would be Max Weber's analysis of why German society lacked the right 'mix' of individualism and frugality that Calvinism provided in the development of capitalism in England (cf. below).

With [Martin Heidegger](#) (1889-1976), the hermeneutic tradition returns to its starting point in romanticism, albeit with a reactionary inflexion that eventually brought the philosopher into the force-field of Nazism (Rehmann, 1997: 167; Benewick and Green, 1992: 95-6). Ever since Herder, the appreciation that society is held together by bonds that make the community and its way of life meaningful to its members, had had romantic connotations. Romanticism always hesitates between modernity and a subliminal longing for a past age of organic bonds and assured community (Seidman, 1983: 42); in the aftermath of German unification, the 'nation' imposed itself as a framework of meaning and the focus of romantic sentiment—also in response to the socialism of the labour movement, the obvious alternative.

Heidegger had been a doctoral student of Rickert's, but turned away from neo-Kantianism after the First World War. Via *phenomenology* (the approach developed by Edmund Husserl to provide a method for interpreting 'natural', naïve perception in terms of a system of meaning), he turned to hermeneutics, but with the specific aim to uncover the deeper 'Being'. Heidegger's starting point therefore is not epistemological, but ontological; he wants to recover the true humanity in its *existence*, 'being there' ('*Dasein*', a term of Hegel's to denote 'determined being'). In *Sein und Zeit* ('Being and Time') of 1927. Heidegger conceptualises this as *everyday life*, humans engaged in their practical activities ('facticity', a term borrowed from the neo-Kantians), which only under certain conditions requires theoretical reflection. Compressing the subject into the world of other subjects to the point of eliminating the 'objective' altogether,

Heidegger thus arrives at a theory in which human existence itself is 'interpretive' of the life around him/her as it flows by in time. Interpretive thought too is an aspect of existence; in the complex terminology of *Sein und Zeit*, a 'non-objective option of a more indicative and intentional universal stemming directly from the very temporal intentional movement of finding oneself experiencing experience' (quoted in Odysseos, 2007: 41-2; see Heidegger's *Existence and Being*, 1949)

After the war, Heidegger chose to remain silent about his role in the Hitler era. His ideas about daily life as the medium of collective social being however were given a new lease on life in France by Merleau-Ponty's and Jean-Paul Sartre's *Existentialism*.

In post-war West Germany, hermeneutics was further developed by [Hans-Georg Gadamer](#) (*Wahrheit und Methode*, 'Truth and Method', of 1960; cf. 'The Idea of Hegel's Logic', 1971). In contrast to Dilthey, who assumes an objective reference outside the subject, in Heidegger and Gadamer this external reference point is absorbed into subjective experience. A student of Gadamer's, [Jürgen Habermas](#) (b. 1929), returned to the Dilthey-Mead lineage (he was also associated with the Frankfurt School, cf. Chapter 10) with his concept of a *normative structure* constituted by communication and interaction. Habermas claims that this normative structure and the life-world of the citizens is being 'colonised' and subverted by technologies applied by capitalism, impoverishing the complexity of human beings (see [Habermas Archive](#)).

Summing up, the subjectivism of both the (neo-)Kantian and the hermeneutic approaches implies that the deeper reality remains shrouded in darkness, so whatever insight we gain accumulates at 'our' end, in the subject's mind. In the case of hermeneutics, we may make informed inferences about the inner drives of the people, communities, cultures that we study. Since we are observing human beings who are, like us, intuitive, experiential, impressionable, etc., we may not be able to penetrate the 'object' entirely; yet as fellow humans, they must be expected to be motivated by driving forces which we can recognise or reconstruct if we properly assimilate their particular starting point, their mindset, and culture. No universalism here, but rather a tendency to

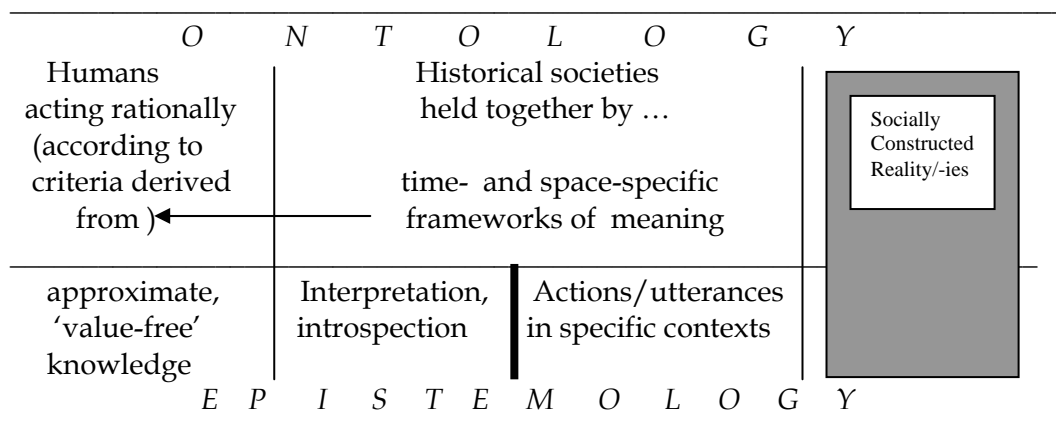
relativism, seeing the ‘others’ in their specific circumstances of time and place, as Herder had urged in the 1770s already.

The key points to retain about the hermeneutic (*H*) and neo-Kantian (*K*) perspectives are,

- The separation of *social* (cultural-historical) from *natural* science (both *H* & *K*);
- The aim of overcoming the subject/object divide (*H*);
- Introspection/interpretation as method (*H*);
- ‘Values’ as subjective emotive/reasoned valuations deriving from a *system of meaning* bound to time and place (in contrast to the universal ‘utilities’ of rational choice/game theory) (*H* & *K*).

In Figure 4.1, the ontology and epistemology of society and the ideographic investigative method proper to it are schematically represented. Whilst the essence of the objective world remains shrouded in darkness, concrete human groups uphold a framework of meaning and action, which renders their (socially constructed) social reality meaningful. Epistemologically speaking, however, this is not something we can really know.

Figure 4.1. Value-Relativistic Ontology and Hermeneutic Epistemology



We can now turn to the approach developed by Max Weber.

2. WEBERIAN ECONOMIC SOCIOLOGY

With [Max WEBER](#) (1864-1920), we return to political economy proper. Weber, the Marx of the bourgeoisie, or according to others, the Marx of the managerial class, combines an ontology of a society in which subjects are motivated by a combination of 'value rationality' (*Wertrationalität*, derived from a specific system of meaning) and 'instrumental rationality' (*Zweckrationalität*), with an epistemology of interpretive '*Verstehen*'. In his theory of knowledge Weber is so concerned about 'value-free' scholarship because he recognises that everybody is motivated by values, not all of which are compatible with scholarly 'objectivity'.



Weber initially adopted a materialist perspective, analysing the German social structure in terms of the contradictory combination of conservative landownership and modernising industry. As the labour movement became more prominent and radical, he shifted from an analysis of economic forces to the *political* question why the bourgeoisie in Germany had failed to overcome its conservative leanings (Seidman, 1983: 212-6).

Weber's study of the [Protestant Ethic](#) (1905) aims to provide the answer. The Calvinism as it developed in Switzerland, Holland and England and other Anglophone countries, Weber argued, stimulated initiative because of Calvin's theorem of predestination. True, no one can know what is in store for him or her, but material success may be an indication of divine election, and thus offered a way of overcoming existential uncertainty; in combination with practical rules such as the legitimacy of a (modest) rate of interest, Calvin's doctrines thus assisted in creating a collective mindset favourable to private enterprise. Lutheranism on the other hand is a mystical, incomplete form of Protestantism. It clings to a pre-modern

understanding of social station and 'calling' (*Beruf*) and preached passivity and resignation from the world (Weber, 1920: 65-77). Certainly Weber sided with Bismarck and other (Lutheran) modernizers against the Catholic lower classes. But a German liberalism in his view would require a more thorough ideological renewal to match the Calvinist-Puritan value system so beneficial for capitalist development (Seidman, 1983: 231; Rehmann, 1997: 213).

It is not Weber's claim that capitalism was 'caused' by Calvinism, as sometimes assumed. Rather, Calvinism as a system of values generates a collective mindset which happened to be supportive of parallel capitalist development. To denote this relation he used the concept coined by the poet (and friend of Herder's), Goethe, in the title for a 1809 novel, 'elective affinity' (*Wahlverwandtschaft*). The connection with the hermeneutic tradition is obvious: there is an affinity between Calvinism and capitalism which is in the nature of a mutual penetration, a spiritual closeness between religious conviction and professional ethic premised on active appreciation (not just 'objective' correlation) (Löwy, 2004: 98-9).

In *Wirtschaft und Gesellschaft* (*Economy and Society*), his posthumous magnum opus and one of the classic works of political economy, this is elaborated into the analysis of how different values motivating 'social action' are compounded. Instrumental, calculating rationality (typical of modernity, not just capitalism but also the modern state) contributes to a tendency towards socialisation (*Vergesellschaftung*, from *Gesellschaft*, society), a concept from Hegel and Marx; but it will always be accompanied by emotive-affective bonds, whether they are tribal-traditional or based on a professional esprit de corps. This produces a parallel 'communitisation' (*Vergemeinschaftung*, from *Gemeinschaft*) (Weber, 1976: chapter 3).

Subjective Rationality, Irrational World

As he came to reject his earlier materialist view of history, Weber developed a critique of Marxism. Here he obviously confused *naturalistic materialism* (which holds that everything emanates from nature) with *historical materialism*. Historical materialism is premised on the Hegelian

idea of the cultural development of historical humanity to ever-higher levels of civilisation.

Weber's critique that thinking is not a natural, 'objective' process reflecting other natural processes, but a subjective one, is only valid against naturalistic materialism. His subjective turn towards a neo-Kantianism impregnated with hermeneutics 'led him to repudiate the notion that social science could reproduce history in its essentials or full complexity. *Conceptual analysis and historical explanation are always one-sided, ... by virtue of [their] embeddedness in the perspectives and problems of the present*' (Seidman, 1983: 242, emphasis added). The relativism of hermeneutics, the role of systems of meaning and the values derived from them, are clearly evident here.

Weber's ontology is one of 'social action' within specific normative contexts, valid for one society but not necessarily for others. Social action is motivated by a specific rationality that combines instrumental rationality with normative commitments, the 'value rationality' referred to above. This is one way of arriving at the conclusion that ultimately, reality as such is unknowable. Rationality is subjective, although Weber according to some interpreters rejected the notion of an inborn rationality in favour of the idea that 'rationality must be conceived in historical terms – as the product of the interplay of interests and ideas, and therefore multidimensional' (Seidman, 1983: 254). Given how social processes come about (as the result of specific combinations of values motivating action), they can only be understood by interpretation ('*Verstehen*'), i.e., by applying the hermeneutic method (the subtitle of 'Economy and Society' is 'Outline of an Interpretive Sociology'). Concepts for Weber are *tools* which the rational mind has at its disposal to mentally grasp what is empirically evident (Rehmann, 1997: 131).

Since rationality is an aspect of the subject, and society itself lacks an inherent, knowable logic (one is only aware of the framework of meaning from which value rationality is derived), the subject's actions work to imprint a rationality on the world. *Rationalisation*, making the world conform to accounting principles, in Weber's view was a phenomenon that accompanies capitalist development. Here the interpretation of

Puritanism as a Protestantism of initiative and commitment influenced Weber's own world-view (Seidman, 1983: 231, 244).

Weber followed the neo-Kantians in highlighting that reality as such cannot be known, indeed that it is inherently *irrational*. Whereas Kant had used the Thing in Itself (the objective essence of things) as a limiting concept where the rational mind becomes entangled in contradiction, the neo-Kantians speak of an 'insurmountable opposition' between the subject's rationality and the concrete world. Lask even speaks of the '*doctrine of the irrationality of empirical reality*' and Weber follows this (Rehmann, 1997: 133). This is the absolute opposite of Hegel, who as we will see in Chapter 8, held that 'the real *is* the rational'. Seidman speaks of Weber's idea 'of the inherent meaninglessness and chaotic character of noumenal reality' (1983: 255; 'noumenon', 'named item'). Or in the words of Karl Löwith,

So-called "objectivity" – and Weber never speaks of objectivity except as "so-called" and in quotation marks – "rests exclusively on the fact that the given reality is ordered in categories, which are *subjective* in the specific sense that they constitute the *precondition* of our knowledge and are contingent upon the presupposition of the value of that particular truth which only empirical knowledge can give us" (quoted in Bratsis, 2006: 15).

This again underlines Weber's subjective rationality – it is the human mind that brings order to an otherwise irrational world; it *must* do so in order to vanquish meaninglessness (Seidman, 1983: 257). Hence the meanings that are imprinted on the different life-worlds in different times and places, are themselves different too.

Ideal-Types, Values and Action

Weber's legacy may be brought under three headings: Methodology, Value Community, and Theory of Action (cf. examples from [Sociological Writings](#), 1897).

First, Weber's methodology. Here the notion of *ideal-type* occupies pride of place. Remember that the knowing subject faces an irrational world, but yet has to make sense of it; and that his/her 'tools', theoretical concepts,

are subjective constructs. The ideal-type, then, is a mental image which unifies certain historical relations and events in a 'non-contradictory cosmos of thought [i.e. imagined] interconnections' (quoted in Rehmann, 1997: 187). Its role is to bring to life, visualise, certain relations that have been found or are being suspected to exist; the ideal-type then serves as a limiting concept (*Grenzbegriff*) that highlights relevant aspects so that experienced facts can be measured against it and compared with it.

In *Economy and Society* Weber famously distinguishes political authority under three such ideal types: *Traditional* authority – *Charismatic* authority – *Rational-bureaucratic* authority. These correspond to the society he feels must be left behind (conservatism in Germany), the strong man (with charisma) whom he saw as a necessity to break it but also to replace the Liberal-Socialist alliance which he earlier believed, could do the job; and the monopolistic combination of big capital and the strong state that would result, but which he paradoxically also rejected as a danger to liberalism (Seidman, 1983: 237).

Ideal-types are concepts in which some common element or aspect has been raised *one-sidedly* to shed light on a situation or relation. There is no claim that they capture an essence – that is an unknown that cannot be uncovered. Here Weber goes back straight to Dilthey who claims that in natural science, material relations between things can be established, whereas in social science, the *mental relations between problems* constitute the focus of the analysis (quoted in Rehmann, 1997: 188).

Secondly, the notion of the *community of values*. The neo-Kantians, writing in the decades following German unification, criticised Kant's Enlightenment cosmopolitanism from a nationalist vantage point. All Enlightenment thinking assumes a continuity between individual aspirations and interest, the harmonious operation of the whole, the collective interest. Kant took this furthest by claiming in his plan for a universal peace treaty of 1795, that modern states, if properly cleansed of aristocratic warmongers, would be able to reconcile their differences. Rickert, one of the neo-Kantians, criticises this idea as poor in its concept of humanity and failing to acknowledge the 'most important of human

communities', the *nation* (quoted in Rehmann, 1997: 157). This as we saw had been part of the romantic-hermeneutic tradition ever since Herder.

Weber's point of view on value communities is of importance as an angle from which to understand Global Political Economy: by placing the nation-state at the centre of the analysis as the most significant form of human community, it reduces GPE again to *International Political Economy*, that is, a subfield of IR, which as a predominantly state-centric 'discipline' enshrines the nation-state as the alpha and omega of world affairs. Below we will see that E.H. Carr, one of the founders of modern Anglo-American IR, developed his approach within the hermeneutic tradition, and with the nation-state as the axiomatic point of departure.

Finally there is Weber's actual sociology, his 'theory of action'. This is likewise subjectivist; it springs from the person, group, society that *acts*. It is on this ontology that his epistemology is grafted: if one assumes that the world is made up of subjectively motivated subjects acting on an 'irrational' objective world, the focus of one's method and theory automatically shifts to the domain of epistemology/theory of knowledge, because it is the only reference point of rationality that remains.

Weber's human subject is not determined by labour and reproductive relations, and the rules of reciprocity and cooperation emanating from them. The subject occupies a position from which action is undertaken on the basis of certain 'values'. Even so, subjects are not entirely free in their choice of values because there are historically changing values which direct each individual within their epoch (Rehmann, 1997: 173-4), in the sense of a prevailing system of meaning. This is what Weber terms the 'iron cage' of internalised social values, so that e.g. in rational-bureaucratic society, people are under a compulsion to act in this spirit. It may be that there exists an incompatibility in Weber's thinking between a subjectivist epistemology grafted on an individualistic ontology ('history as the chaotic aggregate of subjectively intended individual acts (methodological individualism)'); and what is in fact a philosophy of history, i.e. history 'as a universal process of rationalisation, locking individuals increasingly into iron institutional structures' (Teschke and Heine, 2002: 173). But then, it was Weber's original intention to establish what was *needed* to bring

German society to a level where it could match the dominant, English-speaking world-economic powers; from this initial equation flows his assumption that all societies have to go through processes of rationalisation that are broadly identical in outcomes even if different in the ways in which they are achieved. These after all are dependent on the value systems of each.

3. FROM CARR TO CONSTRUCTIVISM

Hermeneutics and the Weberian paradigm prominently resonate in IR and GPE—from classical IR realism to the currently influential constructivism. On the one hand, there is the notion of the state as an independent, autonomous actor, which is taken from Weber. On the other, there is the notion that it is the subject, ontologically speaking (whether an individual, group, or an entire society), which imparts logic (rationality, order) to the world around it.

Neo-Weberian Aspects of Classical Realism

‘All state theory’, Bratsis writes (2006: 9), ‘proceeds “as if” the state was ...a universal a priori predicate to our social existence rather than a product of our social existence. Thisendows the state with ontological qualities not its own and abstracts its existence from the realm of social relations.’ In other words, we assume a ‘thing’ called the state as being in place independent of how society is organised into the unity that we call state.

In its neo-Weberian form, the state-as-subject conceptualization considers the state to be a distinct actor by virtue of the bureaucratic rationality that unites its members and that provides a socially autonomous set of interests such members act to maximise... Unlike its Leninist counterpart, such theories posit the autonomy of the state from society, since the subjectivity that unites its members is state specific and does not originate within society, state managers have a subjectivity that is all their own (Bratsis, 2006: 11).

The more sophisticated interpretation of the autonomy of the state, complete with a hermeneutic epistemology and (proto-) constructivist

ontology, can be found in the work of [Edward Hallett CARR](#) (1892-1982), the founder of modern Anglophone IR, and the historian of the Russian Revolution.



Carr argues that even if one must recognise the mental driving forces, ideals and emotions, of social actors, one cannot jump over reality. In *The Twenty Years' Crisis, 1919-1939*, Carr synthesises the idea of subjective interest and objective structure.

A theory of world politics, he argues, cannot be built on the foundation of the good intentions of states (people who did so he called 'idealists' or 'utopians'—this would refer to the lineage that reaches back to the enlightenment theory of international politics of which Kant is the main representative. But neither can a theory of IR be built on the idea that world politics consists of a succession of phenomena governed by mechanical causal laws—hence 'realism' (Carr, 1964: 13).

A true theory and practice of IR therefore must synthesise the element of the utopian quest for a just world order, and the reality of a world of states forced to mechanically pursue their national interests only.

In a discussion of Carr's method, Keith Jenkins writes that Carr does not deny that history, as 'events of the past', has really happened. But '[Carr] thinks that the insertion of variously authenticated facts into a historical account and their significance/meaning relative to other selected/dismissed facts, depends not on something *intrinsic* to the facts... but on the reading of events the historian *chooses* to give' (Jenkins, 2000: 308). Indeed in Carr's own words, '[The] status as a historical fact will turn on a question of interpretation. This element of interpretation enters into every fact of history (quoted in *Ibid.*: 309). Carr's approach, therefore, is not positivist or Rational Choice, but a more subtle, hermeneutic approach.

However, as Jenkins adds, this is not really articulated in Carr's writings. It is from scarce remarks like the one quoted and which, 'contain, in fact, the substance of Carr's (extremely slight) epistemological argument, which he nowhere "deepens",' that we must reconstruct his method.

In *The Nation-State and Violence*, Anthony Giddens offers a recent example of an IR elaboration of the neo-Weberian line of thought. It builds on an agent/structure theory which again reverts to subjective rationality to which it attaches a structural component (compare e.g. Weber's idea that the subject's values are inscribed in a larger historical set of values, and operate through a particular community of values which is the nation). The agent, always alone, enters into relations which then constrain his/her action. Ultimately, the world out there remains fundamentally impenetrable; it is at best (re-)constructed on the basis of our own assumptions and predilections.

This takes us to Constructivism.

Constructivism

The constructivist approach today has become the most salient alternative to the dominant ontology of the sovereign subject (individual or social unit) making choices, and the parallel methodology (epistemology) of empiricism. We saw in the previous chapters that these two have quite different backgrounds, both philosophically and in terms of the sociology of knowledge, but that need not concern us here. In fact, the recognised alternative within the mainstream neoclassical economics, is rather the institutionalism we discuss in Chapter 5. In international studies, however, 'her majesty's opposition' without any doubt is constituted today by constructivism. In their work on the theories of knowledge of IR, Hollis and Smith (1991) contrast positivist 'explaining', which they claim underpins (neo-)realist IR, with interpretive *understanding*.

Constructivism brings together all the key theses discussed so far in this chapter

- the idea of the immersion of the subject, 'actor', in the social world;
- the *inter-subjective* constitution of this social world via ideational interaction, placing any 'reality' behind a screen of shared meanings, or even replacing it by an *imagined* reality;
- and in terms of epistemology, the *interpretive* method, using introspection, empathy, to arrive at a reconstructed understanding of the reasons behind an actor's actions or utterances.

Hence, as so often in 'new' social science approaches, constructivism it is not so original as many believe (Cf. [Guzzini](#), 2000). Berger and Luckmann's *The Social Construction of Reality*, originally of 1966, played an important role in bringing back the hermeneutic tradition into mainstream sociology. Step by step, the claim that any characteristic of a society is 'socially constructed' (say, democracy, nationality, market economy...), rather than an empirically observable fact, has made headway.

Helmut Plessner in the foreword to the recent German edition of Berger and Luckman's book sums up the subjectivist ontology of constructivism as follows:

The reflective consciousness invests the institutional order with its own logic. The objectified social world is placed on a logical fundament by language... The 'logic' with which the institutional order is in this way equipped, constitutes a part of the socially accessible stock of knowledge and is therefore taken as a certainty.. a properly socialised individual knows that his social world is a consistent one (Plessner in Berger and Luckmann, 2001: x)

Note the terms used: 'reflective consciousness' ... 'invests with its own logic' (the institutional order is society) ... society is 'equipped' with this logic (or 'rationality') ... 'the properly socialised individual' therefore knows that the world (society) is logical (rational). This establishes the circular, affirming nature of the world we perceive as consonant with the world we have been socialised into. There is a reference to the reality on which the inter-subjective construction of it rests; but that reality itself is not accessible directly. How we think (socially) that the world is constituted, has its source in our collective thinking, and constitutes 'the

socially accessible stock of knowledge'. So when we think we access 'reality' we access the part of that stock that is labelled 'reality'.

Hence there is no doubt that we are looking at a *subjective* ontology, in which agents construct their own world (which is more or less 'imagined' depending on whether a reference outside the mind is recognised or not); and in which any rationality that the world reveals, must be traced to the agents investing it with. As Odysseos writes (2007: 15), constructivism 'must be understood in part as a call to place selfhood or subjectivity as the bedrock of international politics' ('regimes' and 'epistemic communities—our Chapter 6—are 'constructed' in this sense, [Elkins and Simmons, 2005](#)).

As in the Rational Choice approach discussed in Chapter 2, constructivists of course will not deny that the world consists of many separate subjects which somehow interact. What they deny is that this interactive field itself obeys principles or rules that can be known, and hence would be 'objective'; any rationality it reveals, must therefore be traceable to *subjective rationality* (cf. for an attempt to bridge the divide, [Checkel, 1997](#)). Like Weber, constructivists assume a value-driven social action that presupposes different frameworks of meaning for different (collective) subjects, so the recognition of the interactive field must take recourse to a method of abstraction in order to represent social interaction. After all, if action is constructed from the subjective vantage point and its intentions, motives and meaning are different for the different parties in inter-action; and the objective social constraint, the material pattern of how different social forces collide or collaborate, is unknowable, how do we analyse the undeniable fact that subjects do not act in a void?

In the case of Rational Choice, the conflict/cooperation dilemma is solved with the help of game theory, in which utility-maximising subjects arrive at positions which are the optimum that from their point of view can be obtained. The utilities assigned to any alternative strategy derive from subjective valuations. In the case of constructivism, 'outcomes' from interaction are likewise traceable to subjective valuations, albeit not numerical ones. Rather, what the subjects collectively establish among themselves (*inter-subjectively*), are arrangements that reflect the (majority)

appreciation of states of affairs, which in turn then constitute the grounds for action.

‘The core constructivist claim’, Teschke and Heine argue,

is that historically varying forms of conflict and cooperation are predicated on inter-subjectively constructed institutions. *These institutions lay down the “rules of the game” ... Constitutive rules provide systems of meaning that act as frames of reference for collectively binding and norm-governed action* (Teschke and Heine, 2002: 166, emphasis added).

History thus becomes an institutional trajectory bound up with underlying value communities. The authors then criticise John Ruggie’s analysis of globalisation, which is not explained (as positivist neo-realism or Hegemonic Stability Theory would) by shifts in power capacities, but by a shifting ‘social purpose’. The post-war, consensual ‘embedded liberalism’ is transformed from the inter-subjective positive appreciation of the welfare state, to an ethos of liberalism. The use of the term ‘institutions’ for these ‘imagined realities’, might lead to confusion with institutionalism, which we discuss in the next chapter. Institutionalism however starts from the practical activities of subjects, which congeal into habits; constructivism is a matter of ideational, mental constructions which are ‘institutionalised’ because and to the extent they are shared.

The axiomatic, universalistic assumptions of Rational Choice (everybody is a utility-maximising, social atom), in constructivism are replaced by relativism, in recognition of the separate mental universes of different communities, and subjects are immersed in them. But at no point does constructivism allow these community contexts to become objective, knowable entities obeying a logic of their own. They remain constituted from the subjectivist starting point. Weber solved the fact that action is always compounded by the action of others at cross-purposes by using a probabilistic language, speaking in terms of ‘the chance that’. Compared to that constructivism is less abstract and more substantive, as we look at real people with complex, individualised understandings that can be communicated and shared (or not). But ‘the central constructivist problem is that cognitive shifts have no apparent external referent, but recursively

“invent” the new socio-material reality out of themselves’ (Teschke and Heine, 2002: 170; for a comprehensive evaluation, [Palan, 2000](#))

Applying the Method

In terms of epistemology and method, hermeneutic researchers have to *interpret*, not ‘observe’, their object: they must seek interpretive access to their object-domain, ‘since their area of research is not objectively given, but pre-constituted by a consciousness-driven and communicatively mediated process of the collective construction of social reality’ (Teschke and Heine, 2002: 166). The subjective method implies that it is the researcher who brings ‘logic’ to the outside world, and hence to any object (other subjects) s/he investigates.

The work of the researcher simultaneously has to question this accepted inter-subjective construction. It is not in itself an acceptable result of any investigation to say that something is socially constructed, because by the definitions used in this tradition, everything is. The task is to see how we can become aware of our complicity to the prevailing inter-subjective construction; where the fractures between different social ‘realities’ within any one ‘imagined reality’ are hidden, etc.

This is done through a *critical investigation of the language used*. As Plessner writes, the question is, what is the common sense meaning of a word (what does it refer to in everyday life); which state of affairs is it, that is expressed by its use; and within which inter-subjective understanding of the life-world is it contained. Which separate life-worlds coexist at the global, regional, national etc. levels. There is never a life-world which is not itself enclosed in a normative system expressed through an everyday language.

Language therefore is the key to the hermeneutic method, which is not surprising given that hermeneus, as we saw, means ‘interpreter’. But it is not the formalised linguistics of the positivists, but a sociological-cultural understanding of language that is at issue here (Wittgenstein’s eventual conclusions about language games would fit nicely into this hermeneutic understanding of language).

The interpretation of actions/events, then, proceeds by deriving their presupposed meaning from the inter-subjective world of norms and ideas, through which we construct our reality. So *why* somebody (or a collective like a social group or a state) acts, is understood from the normative system in which the agency operates. Say, starting a war in our days will adorn itself preferable with some notion of humanitarian intervention because our life-world is saturated with notions of human rights and the globalisation of responsibilities; in other eras, wars were waged more openly for territory, living space, or the like.

This then leads to a *critique of ideology*. The researcher tries to make explicit the normative system from which agents distil their motivations. At the same time, s/he will always try to uncover a deeper layer of motivations, or a transformative effect: it is one thing to say that wars are legitimated by humanitarian arguments because that is how neoliberalism likes to think of itself, but quite another to deny that therefore, the humanitarian aspect does not matter. In fact, once neoliberal states claim humanitarian motives, that element moves into the foreground and shapes the expectations of others too.

The steps to take in a research project in this tradition, would then be

- An assessment of the prevailing normative system, by collecting samples of types of representations of everyday thought that are available in 'media' (frequent themes in the press, soap operas, political debates etc, etc.). This would provide a hypothetical symbolic language in which the prevailing consensus expresses itself.
- The identification of agents active in this setting, and samples of language produced/used by them which demonstrate a continuity *or* contradiction with the assumed normative system. This rests on the assumption that no social action is undertaken which is not (apart from being goal-rational in Weber's sense) also 'value-rational', i.e., conforms to the prevailing normative system, or code of a given social unit (group, society)

- There can also occur attempts at taking a quantum leap by reference to a higher, more remote life-world than the everyday: this happens in the case of religious motivations. A suicide mission in our days may be motivated, not by the inter-subjective, normative conventions of the everyday, but on the contrary seek to open these up, disrupt them by reference to a life-world further removed (cf. Berger and Luckmann, 2001: 28)
- On the basis of our assessment of the everyday and the more remote life-worlds that serve as references, we may then proceed to design events and agents to *types*, in the sense of ideal-types, of which we can then draw up an inventory of language and other signs by which they manifest themselves. An example would again be, that Western governments claim to wage war in the name of humanitarian intervention. This would refer to a universalistic individualism, consonant with a neoliberal economy; whilst the governments targeted by those wars, usually defend their actions by reference to state sovereignty. The same war can therefore have a totally different meaning for each side, and the task of the researcher is to step back and establish the types of actions, their consonance with the professed system(s) of norms, and any contradictions within them; whilst critically assessing his/her own allegiance to either side so as to uphold the claim to unbiased investigation.
- *Content analysis*, reading closely, reading between the lines, is the key method used in the actual project; written documents provide the sources. To contextualise such content, statements from politicians advocating war presented as humanitarian intervention may be systematised as such; this may yield certain phrases that recur more than one would expect. One step further one can add textual reference material, for instance, sources that are representative of the particular mindset from which intervention is argued as well.

- In all cases, agents are never understood in isolation from the set of normative associations they embody. They always are organically assimilated into, and have assimilated themselves, a social order which is inter-subjectively reproduced over time.

5

Pragmatism and Institutionalism

Institutional political economy is about collective social ‘habits’ that crystallise into ‘institutions’ (not to be confused with organisations). Institutions in turn lend a unique quality to a given society. There is no way that the political economy of this society then would obey a single principle, as supposed, notably, by Rational Choice. This specificity of society is never fixed; habits change in the face of new challenges, and new institutions will arise in the further *evolution* of society. Institutionalism is actor-oriented, hence ‘subjectivist’; but since it also assumes that there is a specific dynamic (historically, some version of a ‘natural’ selection) at work, it also incorporates elements of a structural, or even a systems theory, although this never reaches the stage where a full-blown objective rationality is claimed to be at work.

In the case of the original institutionalism (Veblen’s evolutionary economics), the mechanism performing the natural selection it is the Social Darwinist principle of the survival of the fittest; in the case of the theory of the self-regulating market and the countervailing principle of social protection as argued by Karl Polanyi, it is the so-called ‘double movement’ in which these two forces combine. Yet in both cases, the objective principles at work retain a measure of obscurity. There is no claim made as to their exact operation, they are *assumed* to be at work and can manifest themselves in a variety of phenomena. Importantly, *institutions* take the place of *markets* in the evolutionary approach;

economics in other words always operates as a compound political economy (either by adding a particular view of society, or, notably, an anthropology, never as economics lifted out of its social context. Markets are one set of institutions among others—say, family networks, reliance on state intervention, religiosity, etc. etc.

Institutionalism presents an early version of a post-rationalist approach to the extent it subverts the notion of the rational subject isolated from historical influences and introduces concepts such as mental habits, adaptation, and evolution. But as we will see, the pragmatism on which institutionalism was grafted, has a marked anti-theoretical, ‘common sense’ approach to facts—‘an idea is true if it works’ (William James).

In this chapter we will look first at the source of institutionalism, *pragmatism*, the philosophy of practical experience. Then we turn to Thorstein Veblen and the evolutionary economists. In section 3 we discuss Karl Polanyi, who combines anthropology with economics and whose work prefigures the ‘varieties of capitalism’ approach in GPE.

1. ADAPTATION AND PRAGMATIC PHILOSOPHY

Institutionalism was an American invention, a product of the US experience. It builds on a particular philosophy, pragmatism, that became noted for its no-nonsense approach to the world. There is more to pragmatism than some of its all-too-mundane claims suggest—its key representatives were accomplished philosophers, psychologists, and linguists.

Pragmatism was originally formulated by [Charles Peirce](#) (1839-1914), but it only became a dominant intellectual force in the United States towards the end of the 19th century. Peirce rejected the Cartesian-Kantian notion of a subjective *rationality*. Thinking is subjective, but not based on anything like a universal ‘Reason’ (cf. [How to Make Our Ideas Clear](#), 1878). Kant argued that the mind has an inborn set of what he termed a priori categories, time, space, causation, etc., which allow us to order facts gained from empirical observation. Peirce on the other hand thought that what actually allowed people to order facts was something of a less

universal quality. 'That which determines us, from given premises, to draw one inference rather than another, is some habit of mind, whether it be constitutional [i.e., inborn] or acquired' (Peirce quoted in Ross, 1991: 207).

On the basis of this ontology, the particular epistemology of pragmatism may be summed up by William James' already quoted statement that *an idea is true if it works*—not because it conforms to any abstract principle of verification other than that. All theorising beyond the practical test is superfluous (cf. Durkheim's [critique of pragmatism](#) of 1914).

Social Darwinism and the Frontier Experience

The United States emerged as a pioneer society dominated by English-speaking Puritan settlers, who gradually expanded westwards across the North American continent. Their society was a Lockean-liberal replica of England, but without the aristocratic-absolutist vestiges. The pioneers relied much more on their own wits, their guns, and their claim to sovereignty over the whole of the continent and in some extreme versions (such as the doctrine of *Manifest Destiny* coined in the mid-19th-century war against Mexico over Texas), over the entire world.

As Dorothy Ross argues, all American social science is ultimately rooted in the idea of *American exceptionalism*. This is the thesis that the United States, because it had a republican government and enjoyed unparalleled economic opportunity, could develop the English heritage of freedom and practical pursuits to its full potential. In contrast to the European states, America's progress was in principle unbounded. The US, 'unlike the nations of the past, would not grow old' (Ross, 1991: 23, cf. xiv).

The white, English-speaking settlers from the start encountered others who proved no match for them. First, the native Amerindians, who sometimes collaborated with the settlers, sometimes resisted them, and invariably were defeated and often exterminated. Secondly, there were the slaves imported from Africa who until the Civil War (1861-66) were forcibly employed in the plantation economy of the southern states and thereafter became a segregated underclass. In both cases, there were

ample grounds for the widespread belief, grafted on Puritan notions of being a chosen people, that the white settlers were a superior race bound by nature to rule over others.

The advent of mass industrial society in the closing decades of the 19th century complicated but ultimately confirmed this racialised social hierarchy. The rise of investment bankers such as J.P. Morgan and his fellow tycoons, who put together vast conglomerates in the railway, utility and heavy industry business, destroyed the agrarian idyll on which American exceptionalism had initially been based. Small businesses were absorbed into the trusts, whilst immigration and urbanisation, involving south and east Europeans by their hundreds of thousands, quickened the pace of social change and widened the extremes of rich and poor.

At this juncture, and partly to counter socialist ideas, the original hierarchical racism was recast as [Social Darwinism](#). The theory of Charles Darwin that species evolve by adaptation and natural selection, by then (and not only in the United States) was being rewritten as a theory about human society. It projected the theory of evolution on social development and added the claim that adaptation came about in a competitive struggle, in which *the fittest* survive (this was an idea of Spencer's, as we saw in Chapter 3; Darwin's *Origin of Species* does not make this claim, although in the later *Descent of Man* there are 'Social Darwinist' arguments). The mercilessly competitive environment the settlers found themselves submerged in, and the breakneck competition of a capitalism passing through the stage of monopolisation, with the big eating the small, made Social Darwinism a plausible popularisation.

In the development of the United States, 'natural selection' was seen to take place on the *Frontier*, the westward-moving zone in which the pioneers and settlers encountered the native Amerindians. After the West Coast had been reached by the end of the 19th century, the concept of the 'Frontier' was projected on the rest of the world—from the Spanish-American war over Cuba onwards, via J.F. Kennedy's 'New Frontier' in the 1960s, to one of the space war projects that gave rise to Reagan's 'Star Wars', 'High Frontier'. The idea was that new opportunities always arise;

if properly acted on, they will allow 'Americans' to come out as the fittest, occupying the commanding heights before anyone else.

It is from this (of course largely fictional and self-congratulatory) experience that the particular ontology and epistemology of the pragmatist-institutionalist tradition have arisen. In all varieties of subjectivist theory, the subject faces an objective world that is, in ontological and hence in epistemological terms, ultimately impenetrable. The individual entering the Frontier, actually experiences it as a danger zone, potentially a deadly one. To survive, one must *adapt* and meet any challenge that may arise. The only thing we can ultimately say after the event, is that those who come out alive or on top, were *apparently* best fitted for the challenge.

The survival of the fittest, the Spencerian/ Social Darwinist selection principle applied to human society, thus presumes a mechanism in the objective world which produces this result. However, it will not itself yield the entire secret why this works this way. Hence the subject remains the starting point of both the acquisition of knowledge, and of the practical endeavour of dealing with the world as it is.

The Functional Psychology of James and Dewey



The major figures within the later development of pragmatism were the psychologist, [William James](#) (1842-1910, cf. his '[What pragmatism means](#)'), and the educationalist, [John DEWEY](#) (1859-1953, pictured). In the 1890s they developed a specific psychology, *functional psychology*, which other social scientists did not fail to pick up and apply to their respective fields.

Functional psychology argues that *the mind is an organ of adaptation*. On the one hand, the mind is an active agent in dealing with the

environment; on the other, it seeks to adjust to the changes in that environment. The first proposition produced the concept of the active subject, capable of changing the environment on the basis of rational preconceptions. The second proposition, that of adjustment, evokes the image of a socialised individual, who does not act as the independent, autonomous agent of Rational Choice at all, but who is a product of circumstance. Indeed the socialised individual is 'habituated to the social environment and drawn to the rational consensus adjustment enforced' (Ross, 1991: 155).

Rationality, in other words, is not located in the mind of the subject as Reason, but an outcome of the social process, a (set of) mental habit(s) developed over time ('the rational consensus'), which has become encrusted, institutionalised. Dewey took this to mean that the moral absolutes of the early settler society that had produced the exceptionalist tradition and Manifest Destiny, had to be abandoned. Change was historical, and continual *reform* was to deal with challenges of all sorts.

Coming from a Christian background, and then passing through Hegelianism, Dewey embraced pragmatism (which he himself termed 'instrumentalism') in the 1890s. Teaching at the University of Michigan, he endeavoured to transform philosophy into a social science, based, like the latter, on *experience*. Dewey takes Hegel's category of the totality, the 'whole', but claims that it is no longer necessary to posit this whole in terms of metaphysics, as something which hovers behind the appearance of things. According to Dewey, the new natural science of his day allowed a complete understanding of human action too. This is a typical materialist point of view: all that exists is an emanation from nature, even human thought (cf. chapter from *The Quest for Certainty*, 1933).

In human action, we observe the organism at work; thus we become aware of the truth about individuals. Collective, social action, on the same assumption, reveals how *political* society works. The two in combination (individual and social) tell us everything that can be known about social reality (Ross, 1991: 164). Note the emphasis on the subjective side: the action of the individual and the totalised actions of the society of which s/he is a member.

This sums up the practical mind-set of American settler society. There is no need to conceive of some abstract force, say, reason/rationality, or history in a transcendent sense (as in Hegel), which operates behind our backs, determining what happens in society.

We may think back of the earlier Peirce quote about the 'habit of mind' and see how Social Darwinism modulates the original pragmatist position as developed by Dewey.

The mind was an organ of adaptation, moved by interest and purpose, and aroused "only because of *practical friction or strain* somewhere." Thinking was "the critical point of progress in action, arising *whenever old habits are in process of reconstruction*, or of *adaptation to new conditions*" (Ross, 1991: 165, quoting Dewey, emphasis added).

Truth, Dewey held, is 'merely the solution that most fully resolved the friction or strain' (Ibid.). This is broadly identical to James' 'an idea is true if it works', with more emphasis on the aspect of adaptation and change. Dewey puts the same idea as follows: 'We demand order in our experience. The only proof of its existence is in the results reached by making the demand.' (quoted in Ross, 1991: 165).

There is in other words no transcendental criterion for truth; proof is experimental, it is reality which confirms, without much ado, what works and what doesn't.

The terms of Dewey's pragmatism that we have to retain are

- Human action as the attempt to resolve the friction with the environment; the subject is the starting point;
- The competitive/selective nature of such attempts in charting the course of society as a whole. But society does not give a clue without us trying, because there is no way we can know how the world out there may surprise us (as Dewey's—and as noted, Dilthey's—pupil, the social psychologist, [George Herbert Mead](#), put it, 'It is always the unexpected that happens'—quoted in Ross, 1991: 170). So *if* there is a logic at work in the objective world

(natural selection for instance), it is not a compelling rationality in its own right that would allow us to make predictions.

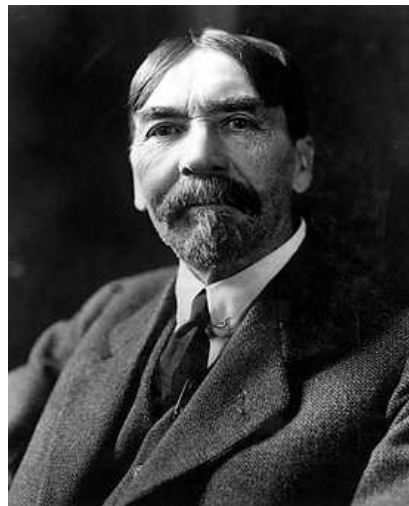
- While interest and purpose are the driving forces of action, it is *habits* in thought and practice which at least in part constitute them, and accordingly, there is no imaginary standpoint outside the acting individual, such as universal reason, or 'history', from which interest and purpose can be constructed.

We can now turn to institutionalism proper, and to Veblen, its founder.

2. VEBLEN AND EVOLUTIONARY ECONOMICS

[Thorstein VEBLEN](#) (1857-1927) applied the Pragmatist principles and the ontology of Social Darwinism to economics.

Veblen was a Norwegian immigrant. As a scholar, he always remained an outsider and a dissenter; his commitment to social progress and justice was far more radical than Dewey's. Brick calls Veblen's intellectual heritage 'a curious mix of conservative and boldly reformist affiliations' (Brick, 2006: 47).



In his first work, *The Theory of the Leisure Class* of 1899, Veblen wanted to show that the leisure class, the class that does not need to work, is a phenomenon of all but the most primitive societies. This class in Veblen's own lifetime had become much more prominent; this in his view had destroyed the idyllic version of American 'exceptionalism' (the idea that the United States was a society unlike any other and by implication, entitled to showing the way to the rest of the world). Blending agrarian radicalism and populism with occasional enthusiasms for revolution, Veblen also criticised socialism and Marxism (see his 1906 [critique of Marx](#)). After the war and the general

disenchantment with capitalist society that led to revolutionary upheaval in many places, Veblen typically joined Dewey in protesting the conditions imposed on Germany at Versailles and welcomed the Russian Revolution (Brick, 2006: 62).

Economic Evolution

As the fear of radicalism grew and the academic mainstream in the United States went over to marginalism in the 1890s, only a handful of economists stuck to their original adherence to a socially concerned, historical economics. This was the institutionalist school developed.

The term institutionalism for the school of thought of which Veblen was the key representative, was coined only in 1918 at an AEA conference; it brought together those who wanted to counter the 'abstract theories of market exchange and price equilibration' by investigating the real variety of economic practices and their embeddedness in society (Brick, 2006: 65-7). All agreed that the abstractions of neoclassical economics were sterile, a quality they attributed to the fact, as one of them put it, that 'the classical schools were without the benefit of modern anthropology, which has revealed so many varieties of communal life and economic mores' (quoted in *Ibid.*: 69; cf. [Hodgson](#), 1996).

The influence of anthropology's understanding of *culture* transpires in several strands of institutionalist political economic thought, such as Polanyi's and the strand currently known as 'Varieties of Capitalism'. It certainly was a major formative influence on Veblen. Anthropology gave insight into the peculiarity of human behaviour, undermining the idea of a single subjective rationality that underlay so much philosophy. Veblen actually studied with one of the American marginalists mentioned in Chapter 1, [J.B. Clark](#) (whose son J.M. Clark was an admirer of Veblen and an institutionalist himself). He also attended the lectures of the Yale sociologist, William Graham Sumner, the leading Spencerian and Social Darwinist, who famously claimed that becoming a millionaire was the result of natural selection (quoted in Löwy, 2004: 101). The idea of mental habits as the determining factor of human behaviour came to Veblen after he heard Charles Peirce speak (Ross, 1991: 207).

Veblen's evolutionary economics looks at society through the lens of Social Darwinism. As he put it himself,

The life of man in society, just like the life of other species, is a struggle for existence, and therefore it is a process of selective adaptation. The evolution of social structure has been a process of natural selection of institutions (Veblen, 1994: 117).

Initially Veblen's Social Darwinism was underpinned by a pure racial theory. He saw the 'dolichocephalic [long-skulled] blond' race as the creator of the famous English freedoms (Ross, 1991: 208). However, by 1914, Veblen had become aware that biology and Dewey's psychology had more subtle insights to offer and he abandoned his original view of race and instinct. He revised his theories accordingly, without abandoning the Social Darwinist framework.

The *institutions* that Veblen spoke about are, as noted, not organisations, but social (mental and practical) *habits* that have become encrusted into more enduring characteristics of a society. Their development is a matter of continual adaptation of the modes of thinking (Palloix, 2002: 75). Veblen shares the pragmatist view of Dewey that social action is composed of, on the one hand, the action of individuals (which can in principle be known through the study of the organism); and on the other, of the collective action of society as a whole. But since in practice it is not possible to investigate individual action from the natural interaction of 'living tissue and material environment', we have to be satisfied with seeing how people cope with an environment that is part-human, 'institutional', and part-non-human; rather than rely on physics and biology.

One major source of habits (and the institutions to which they give rise) is *emulation*, which Veblen sees as a natural trait of humans (Ross, 1991: 206). People emulate what they see others do, and in this way, patterned behaviour (rather than individual variety) comes about. The fact that the poor want to emulate the rich but cannot do so, creates *envy*, which is what in Veblen's view gives rise to socialism as a movement. Mass consumption, too, is based on the less well-off emulating the lifestyles of the rich (the greater part of the *Theory of the Leisure Class* is about the influence this class has on social patterns of life and consumption).

Inherited habits create an institutional landscape, a pattern of encrusted practices that is the result of emulation of what others do. Ultimately it centres on the successful adaptation to change by a particular class, which then percolates through society by emulation.

The situation of to-day shapes the institutions of to-morrow through a selective, coercive process, by acting upon man's habitual view of things, and so altering or fortifying a point of view or a mental attitude handed down from the past. The institutions—*that is to say, the habits of thought*—under the guidance of which men live, are in this way received from an earlier time (Veblen, 1994: 118, emphasis added).

The institutions (habits) themselves work as a mechanism of selection; they are not just an outcome of a hidden selection process. Certain institutions will favour those who have the most appropriate mental habits to fit into the transformed environment, and they will therefore create new institutions again (Palloix, 2002: 75). History, therefore, is a cultural process, and the economy too must be analysed through an *evolutionary* economics. Following anthropologists like L.H. Morgan, Veblen saw a growth of society from the savage condition to a 'predatory culture' in his own lifetime, which then gave way to a pecuniary culture as a higher stage (Brick, 2006: 48).

Veblen claims that the conservatism of the contemporary leisure class is not just the status-quo attitude that characterises every privileged stratum. Indeed, each leisure class is relatively sheltered from the pressures and frictions that force people to rethink and re-examine their habits, and therefore the privileged are slower in adapting to changing circumstances. Moreover, any change in habits is painful and irksome. This incidentally also holds for the lower classes. Veblen notes that when they become impoverished due to an unequal income distribution, their capacity to adapt will also be undermined. Paradoxically, their conservatism can therefore match that of the leisure class. The natural attitude of an oppressed class that 'what is, is wrong' will accordingly be undermined or rendered inoperative (Veblen, 1994: 126-8).

Rentiers Preying on Industry

Marginalism, as noted, developed in the attempt to escape from the radical implications of classical political economy. In the process, it articulated the vantage point of the new class of rentiers. The rentier was simply the provider of capital just as the landowner had land on offer and the worker was the provider of labour. Veblen on the other hand saw in the new divide between rentiers and managers the characteristic feature of contemporary capitalism. Drawing on the historical analyses of German historical economists like Schmoller and Werner Sombart (cf. Chapter 7), Veblen singled out the rentiers for critical investigation—the term leisure class also figures in Bukharin's *Economic Theory of the Leisure Class*).

In the modern capitalist economy, Veblen sees two main habits, institutions: the institution of *acquisition*, and that of *production*. With the former, he associates a *pecuniary* interest, imbricated with a sentiment of rivalry; with the latter, an *industrial* one. Or, using different terms again, we have *industry* proper, understood in the literal, mechanical sense, and '*business*'.

The relation of the leisure (that is, propertied, non-industrial) class to the economic process is a pecuniary relation—a relation of acquisition, not of production; of exploitation, not of serviceability... Their office is of a *parasitic character* (Veblen, 1994: 129, emphasis added).

This perspective was shared by several contemporaries, who adopted what I have elsewhere called the 'productive capital' perspective against the money interests—Henry Ford in the US, Sombart in Germany, and J.A. Hobson in the UK (Keynes as we saw also would adopt an anti-rentier position). Each of them railed against the parasitic financiers, the rentiers, whom they saw as a dysfunctional hindrance to optimal production and as exacerbating class conflict between capital and labour, as well as fuelling imperialism. Keynes as we saw advocated the 'euthanasia of the rentier'; Ford sponsored anti-Semitic publications and fascism, claiming that the financial interest in society was made up entirely of Jews (see my 1984: chapter 1).

In Veblen's perspective, then, *exploitation* takes place between the predatory rentiers and all those actively contributing to the progress of actual industry – managers and workers. Through what he called *business sabotage*, a term developed earlier in a series of articles published in book form in 1921, the owners seriously constrain the potential of the real economy. Their 'sabotage' was not confined to the economy either. Veblen's pessimistic view that the forces of reaction, nationalism and militarism would serve to uphold the rights of the owners against the demands of society won him the praise of his critic, émigré philosopher Theodor Adorno (see our Chapter 10), for having recognised the dangers of totalitarianism early on (Brick, 2006: 64-5).

Whereas neoclassical economics treats price bargaining as an exception (monopoly, oligopoly), for institutional economists such as Veblen and Commons, this capture of the broader industrial network via controlled scarcity at any particular node is an everyday routine occurrence, and forms the basis of a successful, business strategy (Perry, 2009: 141).

As a result, the machinations of the most powerful sections of business elevate their profitability well above the average, what Nitzan and Bichler call, the *differential accumulation of capital* (Nitzan, 1998). The difference with Marxism is that for Veblen, exchange relations and private property ('business') and production ('industry') are *externally* related; hence the institutionalist terminology of 'embedding' and 'disembedding'. In Marx, exchange and production are mutually interpenetrating forces. Exploitation in institutionalist economics is an unequal power relation between business and production; in Marx, the worker is exploited in the labour process, although profit appears only in the ensuing exchange relations. With Veblen, on the other hand, industry is a quasi-organic process governed by a healthy 'instinct of workmanship' (the title of a book of 1914, Ross, 1991: 208); it is preyed upon by business, which in turn serves a parasitic, leisure class of stock-holders.

The pecuniary interest (that of the outside investors, or 'absentee owners' – the title of Veblen's last work, *Absentee Ownership* of 1923), is the decisive force in the development of capitalism. Thus, legal arrangements protecting property, regulating bankruptcy, and what we today would call 'corporate governance', all reflect the priority of the pecuniary,

'business' interest over industry proper. This is a *power relation* which gives the business interest, in Veblen's words, the 'means of engrossing the community's industrial efficiency' (quoted in Perry, 2009: 78; cf. [Bichler and Nitzan](#), 2004). Hence the rate of profit is not just a quantitative measure of costs and return on capital, but first of all measures 'the social power of capitalists' (Perry, 2009: 79).

Already in the *Leisure Class*, Veblen noted that the proliferation and growth of the pecuniary interest gradually turns it into a lifeless appendage of the real economy, and at some point, society will be able to discard with it (Veblen, 1994: 130; again compare Keynes' euthanasia, or Marx's argument about a transition to the 'associated' mode of production, *MEW*, 25: 485-7). But in *Absentee Ownership*, he was less optimistic. Corporate property, Veblen argued, was 'make-believe', a fictitious system of speculative money values placed on titles to income. But the owners nevertheless were able to lay a dense web of 'rights, powers, and immunities' over the economy and impose a levy on the collective output of society.

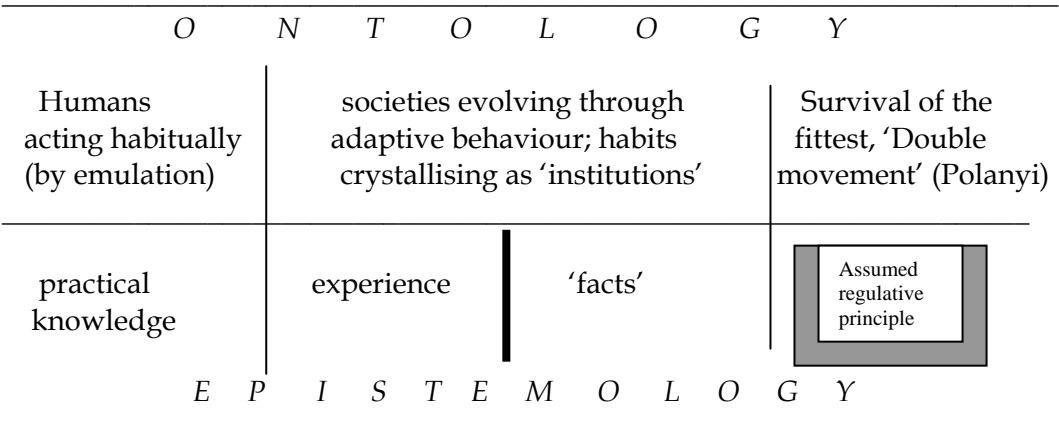
The aspect of socialisation of labour produced by large-scale production (and other changes in the structure of capital) was recognised by Veblen as a process of moving beyond the reliance on manual labour. Although he spoke vaguely about 'a new era' rather than socialism (he also avoids the term capitalism most of the time, speaking instead of 'the price system', or 'business'), Veblen saw the changes in this area as shifting the control panel in the economy from manual skills to 'general intelligence and ... familiarity with the commonplace technological knowledge of the time' (quoted in Brick, 2006: 49). Hence schooling rather than apprenticeship became the high road of education and socialisation of the young. All this was mortgaged however by 'business', by a sphere of 'banking, underwriting, insurance, and the phenomena of the money market at large', which prevented the optimal technological and social solutions from being applied (*Ibid.*).

Veblen's epistemology was originally not made explicit. In the pragmatic spirit he was concerned with practical habits, with collective social action as a truth in itself which needs not to be confirmed against

some abstract, metaphysical principle. On the other hand, in the debates he had to participate in (in part because critics tended to dismiss his ‘Theory of the Leisure Class’ as satire rather than scholarship), Veblen made a point of specifying his epistemology in detail. Thus he came to adopt a neo-Kantian idealism (he had written his PhD on Kant) and functional psychology. Even so, the emphasis on ‘hard fact’ and ‘rigour’, which remind us of the positivist emphasis on restricting one’s hypotheses to those that allow empirical testing on strict criteria, in Veblen’s case continued to be punctuated by humanistic idealism (Ross, 1991: 213). In addition, his functional psychology (the mind as an organ of adaptation) and racial anthropology added the distinctive aspects of his approach.

In Figure 5.1 below, the hybrid nature of institutionalism as a subjectivist approach which yet assumes the workings of an objectively rational social process too, are depicted.

Figure 5.1. Institutionalism as a Hybrid Approach



This is a hybrid approach, because although there is no doubt that whilst there is an objective rationality at work (selection of the fittest in the original evolutionary economics, ‘double movement’ in the case of Polanyi) the precise nature of this objective process remains shrouded in relative obscurity in terms of the theory of knowledge. The nature of adaptive subjective action and the emergence of institutions is unequivocal. In fact, institutionalists do not have a very explicit

methodology apart from pragmatism, which can be understood as a 'light' version of neo-positivism.

Commons and the Managerial Revolution

Social Darwinism was a powerful force among the first generation of institutionalists. Thus E.R.A. Seligman (1861-1939) borrowed his economic determinism from the Italian vulgar Marxist, Achille Loria, but gave it a biological twist by arguing that social change was determined by 'the inexorable law of nature, which is the struggle for existence through natural selection' (quoted in Ross, 1991: 188).

As the changes wrought by the great tycoons such as J.P. Morgan and other investment bankers, settled into a stable pattern of rule by big business, *the study of the large corporation* moved into the foreground. [John R. Commons](#) (1862-1945), the most important institutionalist after Veblen, articulates the shift from the individualistic Frontier society to the urbanised economy dominated by the trusts Morgan had established and transformed into consolidated firms with the help of anti-trust legislation.

Commons shared many ideas with Veblen, also an initial radicalism (he was a member of the League for Industrial Democracy right after World War I). However, he emphasises the internal unity of an institution as a structure of collective action and the mutual coordination of their activities by different institutions. This creates the *organisation*, which 'lends to the institution its unity and command over society' (Commons quoted in Palloix, 2002: 77).

Commons around the turn of the century lost hope in an impending transformation. He claimed that surreptitiously but inexorably, 'private interests' had developed a solid grip of American life. Echoing Veblen, he distinguished between technical production and market manipulation. In Perry's rendition,

An industrial economy of production engineers concerned with the efficiency of quantities, and a business economy of sales engineers concerned with scarcity bargaining over prices (Perry, 2009: 141).

In the circumstances, the workers should be assisted in gaining a place in the constitutional order. In his historical study of the American working class (published between 1918 and '35), Commons rejected Marxist assumptions about the exploitation of labour on the grounds of the uniqueness of the US experience. Labour in the US, he argued, had been formed under the unique circumstances of competitive capitalism and individualism. These conditions were free from the legacy of the European past and its concepts of class struggle. 'It is this bald simplicity of American individualism, without much covering of races, armies, guilds and prelates, that permit us to trace out all of the economic structures in their evolution from infancy to manhood' (quoted in Ross, 1991: 203). Therefore Commons expected that the US labour movement would stick to liberal pluralism and not question the social order; although he was concerned that the influx of European migrants might undermine the commitment of the (white, skilled) American Federation of Labour to that order, and thus end American exceptionalism in this area (Ibid.: 204).

Commons' acceptance of the American exceptionalism thesis leads him to expect that the *institution of individualism* will hold its own in the context of large-scale organisation. Private property therefore is no longer the institution which introduces disruptive rivalry into the economy, but on the contrary, is the expression of the responsibility of the individual in society.

In the early 1930s, Commons argued that organisations do not restrict individual action but on the contrary, extend the reach of individual action by lending it the power of collective action. Thus he seeks to reconcile the principles of private property and individual rights with the interests of the large organisation structures which developed in that period and were taking up new roles in the society of the day – the state and the large enterprise, the cartel, the holding, the cooperative, and the trade union. These large organisations together were creating, according to Commons, a society governed by rules in which collective action predominates (Palloix, 2002: 84-5). This reads like a rationalisation of the New Deal and an acceptance that large-scale, rule-making organisations

are beginning to encroach on the individualistic market economy of the earlier phase of capitalist and especially American society.

From the notion that there are different societies, each with their own, culturally determined institutional landscape, also followed the insight that the market is not the only economic structure properly speaking. In the 1930s it became increasingly evident that even in an advanced capitalist society like the United States, economic activity moved through a wide range of institutional arrangements; the large corporation in fact was in the process of suspending market logic within and often between corporations, and so did increasingly prominent state intervention. As competition and the market were losing their primary roles as the mechanisms through which adaptation and selection take place, the concept of *transaction* served to capture market and non-market economic exchange alike.

Transactions include market transactions, transactions by managers (involving efficiency and organisation), and distributive transactions, all implying certain costs (Palloix, 2002: 77-8). Ronald Coase in 1960 applied the idea of *transaction costs* to demonstrate that market transactions compare favourably with state economic policy and taxation mechanisms; external costs to society such as noise, air pollution, would likewise be met more efficiently by market mechanisms than by state intervention. This brought one aspect of institutionalist theory back into a micro-economic interest calculation, applied to highlight the superior efficiency of the market.

The original (and enduring) institutionalist thesis however holds that there are *always a variety of institutional arrangements* at work, and hence different types of transactions (cf. [Scully](#), 1988). The anthropological approach to different societies will confirm that variety – hence, as we will see later, ‘varieties of capitalism’.

The primacy of management in capitalism goes back to F.W. Taylor’s *Scientific Management* (1911). The notion of a managerial revolution gained currency by the eponymous book by the former Trotskyist turned cold warrior, [James Burnham](#). Burnham in 1941 embraced the results of an

earlier study of 1932 by Adolf Berle, Jr. and Gardiner Means, *The Modern Corporation and Private Property*. In fact Berle and Means adopted a more modest approach in that they recorded, a) that the two hundred nonbanking corporations in the US held half of all corporate wealth, and that a trend of further concentration was under way; and b) that there was an opposite, centrifugal process of dispersion of stock ownership. This second aspect ruled out that the 'owners' to the extent they were stockholders, could actually control corporations. But they did *not* argue that the managers therefore had assumed that control.

Certainly Berle and Means noticed the disparity between 'passive' stock owners and the managerial, 'active' running of the enterprise. But the functions of the corporation are *threefold*:

- There were those had an interest in it, the shareholders;
- There were those who 'acted in respect to it' (the managers), and
- Those who 'had power over it'.

This latter group was not necessarily management. It could be the top management (the executives of the company); it could be those who appointed the managers (the board of directors), or any combination of the two. Economic power, Berle and Means claimed, had become vested in a 'corporate oligarchy' made up of an interpenetrating group of directors and top managers who numbered no more than 2,000 people running the top 200 corporations (Brick, 2006: 80). They saw this as effectively terminating the idea of 'private enterprise' and initiative, suggesting that instead, corporations should be seen as social institutions and be treated like that.

Burnham, who applauded their study, in his own book on the managerial revolution of 1941 drew a much darker picture. In his view the managers had established themselves as a new class, very directly so in the Soviet Union and Nazi Germany. The trade unions in most cases were accomplices of the managerial march to power; therefore opposition was to be expected only where ownership remained in the hands of financial

capitalists (Burnham, 1960: 91-2), or where, as in the US, the trade unions resisted being absorbed entirely within the managerial bloc (Ibid.: 170).

The 'managerial revolution' meanwhile did not fundamentally alter property relations. In fact, 'during the first half of the twentieth century, the self-serving antics of managers seemed relatively innocuous, consisting chiefly of compensating themselves at levels that exceeded the market value of their services', but without prejudicing returns for shareholders. It was only in the 1970s and 80s that managers, by resisting takeovers of their companies (and thus depriving their rentier shareholders of potential gains), became an obstacle to the neoliberal response to the crisis of Keynesianism (Conard, 1988: 123).

However, the era of the management-run large corporation (the 1930s to the 70s), combined with 'corporate liberal' state intervention begun in Roosevelt's New Deal, made the analyses of the institutionalists highly topical. They all sought to understand the political economy as a comprehensive social process, 'away from deductive theories of unregulated market processes towards descriptive studies that would have to include the social context, and social exigencies, of economic development' (Brick, 2006: 19). As planning spread, the idea that capitalist society was heading for a 'Great Transformation' steadily gained ground. This takes us to Karl Polanyi.

3. KARL POLANYI AND THE SOCIETY/MARKET DICHOTOMY



The concerns identified by Veblen and Commons came together again in the writing of [Karl POLANYI](#) (1886-1964), an economic anthropologist, and especially in his book *The Great Transformation* of 1944.

Polanyi was a refugee from Hungary who combined the notion of pragmatic, evolutionary change with the idea of liberalism as only one of many possible cultures. Like Commons, Polanyi seeks to

account for the rise of the large-scale organisation in society. Its 'rule-making collective action' in Polanyi becomes *planning*, and Commons' argument that the large organisation represents a beneficial force relative to the individual, in Polanyi becomes *social protection*.

With Veblen, on the other hand, Polanyi shares the criticism of the 'pecuniary interest' and its disruptive effect on 'industry'. Certainly his terms are different (reflecting his background in economic anthropology as well as his European experience): 'industry' becomes 'society' more broadly, and the pecuniary interest of business becomes 'the self-regulating market' of liberalism, which threatens society (and nature) with total ruin and therefore provokes its opposite, planning—the 'Great Transformation'.

Starting from his anthropological research, Polanyi begins by distinguishing between societies in which the economy is *embedded*, and liberal society in which it has been *disembedded*, that is, removed from its organic interconnections with other social practices in the sphere of prestige, mutual solidarity, and others (all understood as collective habits, 'institutions'). 'Man's economy, as a rule, is submerged in his social relationship' (Polanyi, 1957: 46)—until, in the English context first, the idea arose that society should be entirely organised around the *self-regulating market*.

The Double Movement

The self-regulating market, the utopia of liberal thinking, in Polanyi's view is an institution like others, but one rooted in a socially destructive illusion. In practice, its development has all along been accompanied by instances of *social protection and planning* to mitigate the destructive effects of unfettered market economy. Society here appears as a constraint on the adaptive choices made by subjects (individuals/social classes). Polanyi sticks to many of the tenets of the institutionalist tradition, such as the rejection of grand schemes (in his case, liberalism and the self-regulating market) by pointing at the *actual practices of every-day life*, and the need to adapt to the limits imposing themselves on what people seek to achieve.

In *The Great Transformation* Polanyi argues that seeing the economy as a self-regulating system, ended up effectively destroying the non-market arrangements in which it had been hitherto embedded, as well as the natural environment on which it rests.

- The assumption that 'labour' is a commodity, i.e., that labourers are produced for the market and will therefore appear on the market in quantities required, vitiates the actual process of human reproduction. Labour, writes Polanyi, is a *fictitious* commodity and if we think otherwise, humanity as a species will be degraded and its life made hell (Polanyi, 1957: 73). Therefore, in practice, attempts to extend the self-regulating market to labour relations and supply, will always at some point be accompanied/compensated by *socially protective* measures (no child labour, maternity leave, paid holidays, working hours legislation, compulsive education etc.). Otherwise a society will destroy its human foundations.
- The same applies to *land*. If it is assumed that land can be produced at will, he writes, nature will be destroyed, rivers polluted, etc. Again, the fiction of the self-regulating market here meets its limitations. Again therefore, protective measures will be taken at some point to counter these destructive forces which liberalism unleashes.
- Finally, *money*, too, is a fictitious commodity. It is not something that can be produced at will without running the risk of undermining the entire payments system and with it, the economy as such. Therefore, states and comparable authorities have historically moved to create bank monitoring institutions that limit the ability of private operators to create money, by setting credit limits, the interest rate, and requiring banks to maintain sufficient reserves. Again measures to *protect* the economy from its own supposed workings.

Of course these fictitious commodities are not just a random selection; they are, one for one, the *factors of production* on which the entire marginalist argument revolves. This does not mean that Polanyi was a

radical anti-capitalist, or intent on abolishing the market as a social institution. His point is rather that throughout history, markets have existed (he himself did many detailed studies on the earliest forms of market economy) *but always embedded in society*.

The liberal illusion of the self-regulating market on the other hand rests on the assumption that the market can be *dis-embedded* from society. That this is an illusion, is not based on a prior insight into how society works, but on ideology, and that this is a self-defeating illusion is something which society *finds out* in practice. The degradation of human kind, the destruction of the biosphere, and monetary crises, remind us of the fact that we are trying to achieve the impossible here.

Who then asks for measures or imposes them, is secondary. We cannot have prior knowledge of why certain social forces will act, and when. The only thing we know is that sooner or later, somebody will find out that relying on the market in certain areas (labour, land, money) will lead to problems.

Polanyi therefore remains a pragmatist in many respects. *The Great Transformation* for him was the spread of planning (note the date of its original appearance, 1944, at the end of a war that followed on the Great Depression that destroyed the attempt at reviving 19th-century liberalism). But he does not advocate planning for inherent reasons, or out of any ideal. To him, planning is merely the *coming together of disparate practical measures of social protection provoked by the disruptive effects of forcibly introducing the market in every aspect of social life*. To quote his famous aphorism, '*laissez-faire* was planned, planning was not' (Polanyi, 1957: 141).

This results in what Polanyi calls the *double movement*: every step in the introduction of self-regulating market principles provokes, sooner or later, measures to protect the spheres of life epitomised by the three fictitious commodities. This can be immediate or even anticipatory; but it can also come about later, as a result of a crisis provoked by the disruptive effects of market mechanisms. Aspects of Polanyi's analysis of 19th-century capitalism, like his argument about the peacefulness of the 19th century

European world because of the 'peace interest' supposedly represented by international finance, have been found mistaken (Halperin, 2004).

Also his idea that there is something definitive about the accumulation of planned forms of organising the economy, has been contradicted in practice by the 1980s triumph of neoliberalism. But precisely that return-with-a-vengeance of self-regulating market economy has made his analysis of the double movement highly topical. What is important to note here is that with Polanyi we also begin to abandon the field of subjectivist theories and encounter what amounts to a theory of objective rationality, a 'system' with self-correcting properties—the double movement. So we might fill in, in Fig. 5.1, under (4) instead of the 'survival of the fittest', 'the double movement'; again there is an assumed objective rationality at work (albeit one still shrouded in relative obscurity).

The emphasis, then, is still on the subject, but we also *know* something about society: 'it will not allow' the dis-embedding of the economy from society and will therefore force *somebody* to act—only we do not know this *exactly*.

Varieties of Capitalism

Another important aspect of the institutionalist argument developed by Polanyi is in raising our awareness that capitalism in the sense of a self-regulating market economy is something *imposed* on society. Since every society solves the problems resulting from market extension and attendant social protection into the three sensitive areas of land, labour and money in different ways, we are confronted not with one, but with *many* *capitalisms*. It is on the basis of the type of thinking represented by Polanyi, that contemporary theories about the existence of several rather than only one 'capitalism' have been developed by thinkers such as Michel Albert, a manager in the French insurance industry and organic intellectual of his country's (indicative) planning tradition.

In *Capitalism against Capitalism* (1991), Albert develops the argument that with the end of the cold war, the superficial idea of a unified capitalist West has dissipated too. He takes his own economic sector, insurance, as a

case in point to argue that in different social contexts, very different forms of dealing with risk and redistribution have developed over long periods.

Thus insurance in the Swiss Alps developed as a system of mutual assistance among cattle farmers who put money in a common fund to replace cows lost in a ravine or otherwise. This reinforced solidarity among them and created an effective system of social security. Around such notions, Albert claims, an entire world of norms of expectations developed which became the context in which capitalism developed. Hence, taking the river that begins in Switzerland as the label, a *Rhineland capitalism* has sprung up built around social security and solidarity and corresponding habits and expectations generated over time.

The occasion for writing his book was the advance of a different kind of capitalism that Albert labels *neo-American capitalism*. Unlike its Rhineland counterpart, this form of capitalism is based on seeing risk and reward as opportunities for making profit. Although the association with the Reagan administration and its free market policies which lend the neo-American variety its name, this approach also goes back to old practices: the shipping insurance business of Lloyds, originally a betting operation run from the premises of a London tavern. This is the specimen of a quite different approach from Rhineland capitalism, the (neo-) liberal one in which everything revolves around markets and entrepreneurship.

The institutionalist aspects of this approach are evident. There is no single capitalism which uniformly applies to different societies; social habits have developed separately and whilst in the Rhineland variety (which also applies to East Asian countries like Japan and South Korea), it is embedded in a structure of social security and solidarity, in the neo-American variety it has been dis-embedded from society. In Polanyian terms, social protection has a purchase in the Rhineland context whereas the idea of the self-regulating market thrives in the English-speaking world (cf. empirical analysis in [Hall and Gingerich, 2009](#)).

Why the socially secure Rhineland variety appears to be on the defensive, marginalised by the more dynamic neo-American variety, is difficult to answer, Albert argues, because how can we explain that people

would choose a rougher, potentially much more risky environment for the security and stability built into the Rhineland variety of capitalism? In the last pages of his book he is content to concede that he does not know the answer, which we may take as a reminder of the subjectivist angle from which institutionalism has been developed. The objective process of historical change remains dark and unexplained, to the point where even the actions and preferences of the subjects (the people living in the Rhineland variety and apparently failing to see what they are losing with the advance of neo-American practices) become inexplicable.

The idea that capitalism does not come in a single edition but is characterised by variety, and that these varieties result from the fact that society develops differentially and thus provides a different basis on which capitalism must be grafted, has also been developed by Esping-Andersen (1990). Esping-Andersen documents how in the United States, Sweden, and Germany, *three* different patterns of social security have evolved over time, with the role of the state very pronounced in Sweden, a corporatist pattern characterising Germany, and private insurance dominant in the US context.

Hampden-Turner and Trompenaars (1994), coming from a consultancy background, have taken Albert's analysis further (as was to be expected) and have come up with an investigation, based on insightful anecdote rather than theory, of *seven* cultures of capitalism. Apart from these seven varieties, they also discuss other countries' specifics in several overview chapters in their book.

Applying the Method

The institutionalist contribution to international social theory resides in the re-discovery of anthropology, culture, variety, *everyday life*; and the need to reject the lapidary imposition of a preconceived categories (state, capital, or in Polanyi's example, the self-regulating market) both in theory and in practice. To look for the *actual practices* (habits, institutions) in a given (type of) society, is the beginning of all wisdom in this tradition. The institutionalist approach looks favourably on diversity and specificity,

‘culture’; whereas neoclassical economics assumes universally validity for its assumptions (as does Marxism, according to [Hodgson, 1996](#)).

Veblen’s original juxtaposition of ‘industry’ and ‘business’ can be a fruitful starting point for a research project. It would include, making a systematic analysis of the industrial habits of given working populations, engineering traditions, and mentalities in the (type of) society under review; and then taking a particular (set of) interventions by the ‘business’ interest, that is, action on the part of owners or managers acting for them, that result in what Veblen called ‘sabotage’ – the curtailing of possibilities of the industrial process to increase profits.

The Polanyi ‘double movement’ is equally well-suited for a research project. The introduction of some form of liberalisation (privatisation, opening of borders, or flexibilisation of labour) could be taken as the starting point; then the (potential) disruption as a result of imposing market principles on one or more of the three fictitious commodities identified and if possible, quantified; and third, the form of social protection, suggested by the workings of the double movement, identified and related to a particular social force or set of forces involved in its imposition.

The ‘Varieties of Capitalism’ approach in turn focuses on how the different forms of everyday life (the totality of habits and practices in a given type of society, including the industry/business relation, and the track record of the double movement) give rise to a distinct type of capitalism. Everyday life as a specific arena of enquiry was coined by the French Marxist, [Henri Lefebvre](#), in 1947. Lefebvre, an unorthodox Marxist originally, sees the everyday as (I quote from Davies and Niemann, 2002: 558),

A contested place characterised by mystifications and the struggle to overcome them. These mystifications derive from the experience of alienation in modern society and take many forms. Lefebvre, for instance, critiqued both the concepts and experiences of individuality, freedom, money, needs, work and leisure as part of his effort to unpack the link between the reality of everyday life and our ideas about it.

Lefebvre's concept of *space* as a category is specifically relevant to International Relations/GPE. This serves, as Davies and Niemann put it, 'to focus on actually lived experiences entailed attention to the spaces where these experiences take place' (2002: 559). Again we see the institutionalist emphasis on concreteness and specificity. If we say *where* something happened, we reduce the abstractness and generality of a statement by limiting its validity to that particular space.

Thus in the case of an analysis taking the Veblen distinction between industry and business as its starting point, the issue whether this is something that plays out in a social space where all those involved broadly share the same form of everyday life, are part of the same culture, or not, is an important aspect of the analysis. Those engaged in the industry aspect, may be spread over many different stages of intermediate production as part of a division of labour that extends across many different societies; whilst those manipulating, 'sabotaging' the industry process from a business point of view, may be concentrated in one society only. In many sectors today, parts and semi-finished products are manufactured transnationally, with assembly somewhere else again; or, the production of Nike, Reebok, or Adidas trainers in Asia, for companies headquartered in the West (cf. Merk, 2004).

How the shoes are designed and marketed, would reflect ideas emanating from post-industrial societies, highly sensitive to fashion items and logos; whereas their actual production takes place in societies where symbols of course also play a role, but a different one. Davies and Niemann make a typology of how labour gradually is distanced from its reproductive context. Initially, the role of the family is embedded in the peasant form of life, in which the workplace is all around the house, and not separated from other aspects of everyday life; and industrial life, in which this separation of productive and reproductive activities has been achieved, interacting with urbanisation. This would, in an international perspective, be important in an investigation of industrial migrant labour recruited from peasant societies, or on the gender effects of indebtedness, which tend to include the intensification of non-wage labour by women in the family (Davies and Niemann, 2002: 574-5). The starting point is always, the real life 'on the ground', specificity, and cultural context.

6

Weak Systems: Regulation and Regime Theories

We now move to a strand of theory that is based on *objective rationality*. The assumption of the theories in this strand is that the world/society has a logic of its own which makes it ultimately knowable and potentially transparent. The subject, who of course remains the instance alone capable of actually 'knowing', faces this world/society no longer in his/her capacity as the *source* of rationality; epistemology (theory of knowledge) is less of an issue when we are dealing with theories of objective rationality. In practice, a (usually implicit) positivist-empirical attitude is adopted when it comes to setting out the specific method of enquiry. There is always the option of a flash of insight which inevitably will be critical – in weak systems, the assessment of whether the system still is compatible with one's interests; in strong systems, entailing a radical rupture with habitual forms of thought and behaviour.

I will first address the general framework of systems theory. Systems theory runs through many structuralist theories. General Systems Theory (GST) was developed in the first half of the 20th century on the basis of new developments in biology, although it had been earlier thought about. In section 1 we go over this history and list the characteristics of systems. We then turn to Regulation theory and its background, with a section devoted to the comparison with Rational Choice micro-economics and

institutionalism. The third section deals with Regime theory and its tradition.

1. OBJECTIVE RATIONALITY AS SYSTEM

All social theory, even radical subjectivist theory such as Rational Choice (which does not acknowledge society as a reality and can only represent it mathematically as the intersection of subjectivities), ultimately relies on a rule of thumb about what makes the world tick. In other words, every subjective, actor-oriented theory has an implicit objective theory except that it will tend to *reduce* the workings of society away from a full recognition that society represents a reality in its own right.

In several such subjectivist theories an inherent logic is already hinted at. As we saw, in institutionalism this has progressed to the point where it is assumed that something like an inherent *mechanism* (the principle of the survival of the fittest, or the 'double movement' of Polanyi) is at work. In systems thinking, this inherent logic, or inner rationality of the objective world as it is, is made explicit. Society in this tradition is seen as (or compared with) an *organism*.

As we will see, the organism metaphor, a quasi-biological *system*, was first developed from a vantage point subjective rationality, but in the 20th century, with the advances made in biology, it became more widely adopted and was developed into *General Systems Theory*, which provides the matrix for a broad range of objectivist, structuralist theories.

General Systems Theory

Systems theory is a way of analysing society and nature in terms of self-sustaining, complex entities which adapt to their environment, and are subject to internal processes of growth and functional specialisation—organisms.

The origin of systems thinking goes back to Enlightenment thought ([G.W. Leibniz](#), 1646-1716, and Kant), and was raised to a higher level of articulation in the French revolution and its aftermath (Saint-Simon). We

saw that Comte, too, freely used the organism metaphor, speaking about the childhood and maturity of both individuals and of societies, and so did the (after all, *evolutionary*) institutionalists.

Systems analysis is the science of organised entities, with rules governing their self-maintenance, principles of operation, and relations to other organised entities. From Leibniz it borrows the aim of describing the world by means of one comprehensive science, a general language (mathematics) in which all problems can be described, analysed, and solved.

Immanuel Kant (who of course was a subjective thinker), in his theory of how the mind works yet provided the key starting point for systems theory. In the section of the *Critique of Pure Reason* entitled 'the Architecture of Pure Reason', Kant writes that 'system' means 'the unity of manifold knowledge under an idea' (note that of course, everything in Kant except for his last writings on history, tends to be subsumed under the subject's relation with the world in thought). The fact that the human being is itself an organism, implies according to Kant 'organised' thought. Both serve 'the unity of the goal, to which all parts are directed and in the idea of which, are also mutually connected...'

The totality hence is articulated and not simply thrown together, it can grow within itself, but not by external addition, just as the growth of an animal body does not add limbs, but makes each of them stronger and more fit for its purpose, without a change in proportion (Kant, 1975: 839-40, Latin explanations omitted).

The biological metaphor Kant uses to explain how the internal structure of both the purposeful, thinking subject, and the goal to which action is oriented, were easily transplanted to the objective world—from a principle of epistemology to one of ontology, that is. This happened in two directions in different social settings:

- one, in the French revolution, as a principle of *organisation* (how do the component parts of a large and complex society such as France fit together and how should they be prepared to perform their function in the totality);

- the other, in the German states that were stirred to new life by the French revolution, as *organism*, the idea that a state is born, grows to maturity, and eventually decays.

Systems theory in its application to society was to hover between these two poles, between rational organisation and the organicist metaphor of society as a living organism. Of the former, Saint-Simon and Comte were the main representatives; of the latter, Hegel, Herder, and the particular heritage they left behind (out of which grew geopolitics). In the English-speaking world, Herbert Spencer's sociology was already mentioned in Chapter 3.

In the twentieth century, the idea was taken up by the Austrian biologist, [Ludwig von BERTALANFFY](#) (1901-'72). Bertalanffy applied the insights of the new biology of his day to a wider field of application. He



was dissatisfied with positivism which he felt, mistakenly ascribes a mechanistic quality to observed social action; but the problem to him is not a purely epistemological one (which would suggest the solution of hermeneutics).

Bertalanffy wants a social science which treats society as a *living whole*. Everything that is known about living wholes (organisms), should be formulated in such a way that a society, too, can be described, analysed and explained satisfactorily in the same terms.

In the early twenties, Field Theory with its claim of an organic formative principle which governs a particular set of elements, and the insights into embryo development which were described and generalised in the 1930s by Weiss, prepared the terrain for Bertalanffy's idea of a general theory applicable to all organic units and units made up of organisms such as society. General System Theory (GST) is dated by Bertalanffy as of 1945 (see [Bertalanffy, 1950](#)).

According to GST, all living organisms function roughly along the same lines.

Whether we consider nutrition, voluntary and instinctive behavior, development, the harmonious functioning of the organism, or its regulative functions in cases of disturbances of the normal, we find that practically vital processes are so organised that they are directed to the maintenance, production, or restoration of the wholeness of the organism (Bertalanffy, 1962: 8).

It should be noted that the central question in systems analysis is not whether organisms function in this way, because they do. *The question is whether human society can be considered an organism along these lines.* Everything stands or falls with this question. Thus, 'history' in GST becomes *development*, which is defined as the 'increase of the degree of visible complexity from internal causes'. External factors contribute to this, but the essential impulse is endogenous. Development is therefore 'a gradual rise in the level of organisation' (Bertalanffy, 1962: 68). And with level of organisation, we should again think of growth and functional specialisation preparing the organism for successful adaptation to the environment.

Clearly these are not just alternatives.

Development is a process that ends with the fully grown entity, and all 'history' in hindsight appears as a growth process governed by *teleology*, (from 'telos', Greek for 'goal'), the programme already contained in its own DNA. But one can of course also approach history as an open-ended process which has no pre-conceived goal. As we will see later, Hegel's conception of how objective rationality develops, and GST are branches of the same root. For Hegel's concept of history is an organic metaphor too. He sees history as a preordained course of events in which individual variation occurs, but through which the rationality which is there all along (which he identifies with God), takes its inexorable course *to its own finality* (claiming to follow Hegel's argument, Francis Fukuyama's *End of History* thesis celebrated the end of the cold war as the achievement of the inherent rationality of history in the triumph of the West).

It is only in its *epistemology* that GST breaks with the Hegelian heritage. Systems analysis has no specific theory of knowledge (like dialectics in Hegel's case), but adopts the 'observer' notion which we know from subjective rationalism. As one writer in the systems tradition sums it up, 'the [system] equations are merely indications of what would happen if people *did not stop to think*' (cf. L.F. Richardson quoted in Rapoport, 1966: 25, emphasis added). In other words, a system implies that actors (people, states) will be inclined to blindly act out the systemic relations of the quasi-organism of which they are part, but they can come to their senses, see what is happening, understand the system, and act to change it.

The world/society (which is inherently rational, and hence, knowable) works according to its own logic, but the subject(s) can manoeuvre themselves into a position where they 'stop to think'. This they should then do 'critically' because otherwise they take the system for granted. This in fact is the epistemology of objective systems thinking; one either acts out blindly the rationality of the system, or one stops to think, 'thinks twice', and refuses, or whatever else. We are looking at *weak* versions of systems theory – the subject has a greater degree of latitude than with the strong systems theories we turn to in the next chapter. The entities engaged in a mode of regulation (classes), or a regime (states) therefore will rely on policy-relevant knowledge to see if they remain in the system or opt out.

Figure 6.1. Weak Systems Theory – Agent Autonomy vs. System Logic

O		N	T	O	L	O	G	Y			
Agents retaining substantial policy autonomy		Functional, optimising behaviour in the face of challenges from the environment, or to fulfil requirements for system maintenance						Self-regulating properties of system			
Policy-relevant knowledge		practical evaluation of the system				empirical system effects		System rationality			
E	P	I	S	T	E	M	O	L	O	G	Y

Let me sum up the main characteristics of GST before turning to its ramifications in GPE.

I begin with the main characteristics of the objective organism as such. A system is defined as 'spatially and temporally well-defined material and energetic state' (Bertalanffy, 1968: 55). Two aspects that we will not specifically address again, are the birth and the death/decay of a system. The others are,

- First, the concept of *growth by differentiation and specialisation* (development). Bertalanffy sees in this the main difference with merely physical wholes. While in the latter, there is a union of pre-existing elements (atoms, molecules), in a living organism the whole takes shape by 'differentiation of an original whole which segregates into parts' (Bertalanffy, 1968: 69). The distinction at stake here is that between *motive* and *formative* power, i.e. the power to mechanically displace/replace something, and the power to grow and diversify, respectively.
- The second key concept in GST is *hierarchy*. This refers to the different states of a system on the way to a fully grown end state. Development is the change which occurs in a system as long as it has not reached its potential level of organisation (Bertalanffy, 1962: 186).
- The third concept in GST is *centralisation*. While it is a central characteristic of a system that it is capable of self-maintenance and self-regulation (Bertalanffy, 1962: 184), there tends to be one element among the many interactive ones making up the system in which this capacity is centralised, e.g. in a central nervous system.
- The fourth concept, *regulation*, follows from this. Regulation implies the action taken to remove malfunctioning, which may refer to one element in the system but can also refer to the organism as a whole. Regulation theory in political economy derives straight from this aspect of GST, even if this is usually not acknowledged, but arrived at by following a certain implicit in an unreflected way.

- The fifth concept is *equilibrium*. The system aims for a future equilibrium, driven by an inherent purpose (survival/adaptation), and removing malfunction on the way by regulation through its central regulative apparatus. Equilibration may be static, such as fur meant to keep warm, or dynamic (e.g. thermoregulation by a thermostat, which is only activated in case of a disturbance, so that the system has a capacity to keep its equilibrium state in all conditions, *homeostasis*).

These aspects/concepts of systems theory are all objective properties of a system. Systems theory was early on applied notably to defence budgeting (Wildavsky, 1966, contrasts it with 'individualistic theory').

A system is made up of elements. A social system is made up of people, institutions, practices/routines, ideologies, etc. All the above characteristics can be applied, if only as a descriptive procedure, to society. The subject and his/her choices, too, are therefore an aspect of the system. Since the rationality of the whole resides in the system, the rationality of the individual subject (whether a living person or a collective entity acting as a unit) can only be a subordinate, derived rationality. This leads to the concept of *functionalism*.

Functionalism and Degrees of Functionalism

By functionalism we refer to an implication of the earlier components of a system (growth through centrally regulated equilibrium) for action. Whereas in the theories we discussed in part I. the underlying ontology is premised upon subjective choice, freedom of action, etc., here we encounter the radically different implication of theories of objective rationality, which is that subjects may try what they want, but ultimately their actions are governed by a higher rationality than their own. All behaviour, relations, and goal setting therefore are defined from the need of system maintenance.

Whenever an action is taken, it can be functional or dysfunctional, and the system has the capacity to weed out dysfunctional behaviour and

reward the functional. People are not supposed to be literate about what the system needs are in this sense, and their actions therefore are a learning process about what works in a given setting and what does not. Functionalism in social analysis occurs when people become aware that their action contributes, often unintentionally so, to the maintenance of a system; it may even be that actions intended to remove the system.

An example would be the central concept of the theory of Regulation in GPE, that of [Fordism](#), in which workers' resistance to capitalist discipline, while motivated out of anger, rejection, etc., yet is functional for the maintenance of the system as long as it takes the form (or can be negotiated to take the form) of wage rises, which within a certain range of productivity increase, only reinforce the workings of the system. Otherwise, functionalism can be a polemical term as well. This would apply when historical developments in hindsight are qualified as 'necessary' to achieve a later stage of history. In that case, one might object that the 'necessity' has to be referring to a logic which apparently works above history. Here again we are back with our original starting point, that of objective rationality, the real is rational.

Regulation theory and Regime theory are discussed here as '*weak versions of systems theory*'—that is, there is still a strong element of subjective rationality at work in what these theories analyse. But once goal-seeking actors (classes, states) have entered into relations of a particular quality (a mode of regulation, or a regime), this then imposes its own rationality on their action as if they have become part of an organism that develops, adapts to its environment, and removes dysfunctionalities.

Regulation theory of course adopts a Marxist terminology and therefore can also be understood if we look at it from the angle of historical materialism or rather, materialism (it has no theory of ideology and class consciousness); Regime theory was originally developed in terms of Public Choice theory. Here I discuss them under what I see is their common defining characteristic.

2. REGULATION THEORY

In both Regulation and Regime theory the systemic constraint does not suspend the freedom of action of the agents entirely; it is merely that once they enter into this systemic relationship ('by choice') their actions tend to become part of a system that suspends this freedom/choice (apart from the choice of opting out).

In that sense, institutionalism of the Polanyi variety, with its strong systemic strain (the double movement), and Regulation and Regime theory, tend to be difficult to distinguish except by the specific vocabulary they introduce. Thus Ruggie's article on 'embedded liberalism' is an example of a piece in which Institutionalism and Regime elements enter without creating a contradictory result (which would be the case if, say, a Rational Choice approach would be combined with a 'strong' systems theory like Wallerstein's).

Background in French State Intervention

Regulation theory has its origins in the work of the French economist, [François Perroux](#) (1903-1987). Perroux was one of the most prominent social scientists in France in the 1950s and 60s and was an economic adviser of successive governments in the Fourth Republic. His politics were informed by his criticism of US influence over France. Perroux was one of the founders of the 'New French School' in economics which sought to introduce structural phenomena of power represented by big corporations, the state, and major industrial innovations, into economics. His recommendations included develop 'growth poles' in the economy to meet the American challenge. In his theoretical argument, Perroux explicitly uses concepts of system, structure and sub-system. The economy in the view of Perroux is a 'structured ensemble' (used synonymously with 'system' here).

which is constituted by structured sub-ensembles such as industries or regions. These structured sub-ensembles (sectors) stand in a dialectical relationship to each other: that

is the engine of development, and beyond that, of growth (quoted in Waringo, 1998: 45).

There is an obvious affinity with Institutionalism here in that it is the action of different institutions (here described as [sub-] 'ensembles', i.e., systems) upon each other which serves to explain phenomena such as exploitation and inequality. Incidentally, 'Institutionalism' has been used as invective by one Regulation school in France against the other (Waringo, 1998: 54).

There are two main branches of French Regulation theory, that of Grenoble (G. Destanne de Bernis, Maurice Byé, a.o.) which develops straight from Perroux's preparatory work and is most clearly a systems theory, and that of Paris (Michel Aglietta a.o.). This second approach developed from the state monopoly capitalism theory of the communist party.

The *Grenoble approach* is closest to the starting point of Perroux. It is also most open to the international, because it takes the unity of the process of capital accumulation as its point of departure. The Paris approach, by taking instead the wage relation as its conceptual focus, tends to conclude that it is the national state in which this relation is regulated and class compromises are struck; hence, its concept of GPE is rather of an inter-state variety (Waringo, 1998: 41).

For the Grenoble Regulationists, the analysis of crisis has to begin by understanding why there are non-crisis periods of stability. They adopt their systems perspective on regulation from a phrase by the French philosopher Canguilhem, who defines regulation as 'the adjustment, obtained by certain rules or norms, of a multiplicity of movements or actions and their effects or products, which because of their difference or their sequence initially are alien to each other' (quoted in Waringo, 1998: 52, my transl.).

The systems approach of the Grenoble Regulationists is well brought out by the ambition of Destanne de Bernis to show that economic development represents a quasi-natural process, to which contradictory social developments must be subordinated. Therefore he claims that the

social sciences should borrow from the natural sciences, e.g. insights such as those into the thermodynamics of systems (Waringo, 1998: 54). His view of class struggle is entirely contained in a systems perspective. Class struggle merely as a dysfunctionality in the economy; the dynamics of the system result in reality (and here we may read the influence of Perroux and of institutionalism) from *the competitive struggle between capitals* (Waringo, 1998: 59).

As to the structure of the global political economy, Byé and Destanne de Bernis claim that there are two categories of nations, dominating and dominated. Only the dominating nation(s) is/are characterised by an autonomous mode of regulation; the dominated ones have no way of reproducing their own, and the spaces of the dominated nation(s) that are integrated into the productive system of the dominant ones, represent an integral part of their economy (Waringo, 1998: 63). So while there are nations whose productive system extends beyond their borders, there are others which do not contain an integral economic circulatory system.

The *Parisian* Regulation approach (Aglietta, [Alain Lipietz](#), [Robert Boyer](#), and others) rejects the naturalistic systems approach of the Grenoble school. Their central concern is not how stability of capitalism is possible in spite of competition, but how it is possible in spite of the conflictual, class nature of capitalism (Waringo, 1998: 66). Philosophically, their origins are not in straight systems analysis and the biological concept of regulation, but in the structuralist Marxism of [Louis Althusser](#) (according to Lipietz, cf. Waringo, 1998: 66 note; Althusser's work is perhaps best considered as a recapitulation of Marx's theory in a materialist framework). But in the way their Regulationism is worked out (notably by Lipietz himself in his article 'Towards Global Fordism' (1982) which is based on systemic equations between productivity and wages), the systems legacy transpires clearly.

From State Monopoly Capitalism to Regulation

What became known as the Parisian approach has its origin in the version of the theory of *state monopoly capitalism* as developed in Soviet Marxism. The term goes back to Lenin's piece, 'The Impending Catastrophe and

How to Combat It' of October 1917. Here Lenin claimed that state control of the economy for war purposes created 'the complete *material* preparation for socialism, the *threshold* of socialism' (*Coll. Works*, 25: 363). When the capitalist West appeared to be stabilising itself in the years after 1945, this was explained by Soviet Marxists from the intervention of the state into the economy, propping up the fragile foundations of the actual capitalist economy by state ownership of infrastructure, indicative planning and countercyclical economic policy, management of collective bargaining, and so on.

In France, the Communist Party was one of the key centres in which this idea was developed further outside the USSR (the other was the German Democratic Republic). Among the French authors working in this tradition, Paul Boccara and Philippe Herzog were the most prominent. They wrote their own works and played a key role in the two-volume study, *Le capitalisme monopoliste d'Etat* of 1971. This was meant as an 'official' statement of the theory, which outlined the argument that the state by taking effective control of the capitalist economy, was in fact preparing its transformation into a socialist one. At the time, this appeared like an accurate prediction, although in hindsight it looks as if the neoliberals understood this better than the leftists—certainly they found the answer to the threat of a socialist transformation by violently opening up the national economies, break down state intervention, and expose class compromise between capital and labour to the full impact of world-wide competition, 'globalisation'.

In the early 1970s, this seemed a remote possibility, if it was perceived at all. The Common Programme of the French Left was effectively based on the assumptions of the theory of state monopoly capitalism; it was expected that a programme of nationalisations of the biggest banks and transnational corporations would place the levers of control of the French economy into the hands of a progressive government and allow it to introduce what the French communists called 'advanced democracy'.

[Michel AGLIETTA](#) (b. 1938) was the assistant of Paul Boccara before he moved away to develop his own variety of Regulation theory, no longer tied to party doctrine. He made his name and established the label

‘regulation’ in 1976 when he published his study of how the American economy had evolved through successive ‘regimes of accumulation’ – based on class compromises by which the economy is kept together as a functioning whole, where one would expect it to grind to a halt as a result of its unplanned operation amidst social conflict.



Aglietta sees the source of instability (and simultaneously, the nodal point of its temporary stabilisation) in the *wage relation*. In the wage relation we have the driving force of capitalism. The defining experience taken as the focus of their studies is Fordism, the demand-led mass production of consumer durables kept going by an economic policy aimed at evening out cycles of excessive and collapsing demand – the counter-cyclical approach advocated by Keynes.

Aglietta distinguishes two phases in capitalist development:

- *extensive accumulation*, characterised by the widening of markets and the growth of productivity by way of extending the working day
- *intensive accumulation*, characterised by the growth of labour productivity by mechanising the production of wage goods, and developing the inner market by mass consumption (Fordism).

The internationalisation of intensive accumulation from the US, where it originated, to Western Europe, involved direct investment by American companies in the Fordist industries. Aglietta claims that the generalisation of the Fordist model suspends the advantages which US capital enjoyed by exploiting the less developed zones of implantation; as a result, conflicts between US, European and Japanese capital multiply. The turn to deflation and austerity policies by the main centres of capitalism further restricts the size of markets, intensifying competition (Waringo, 1998: 118).

Regulation Theory Compared to Rational Choice and Institutionalism

To highlight the differences with micro-economics and institutionalism, let us hear Aglietta's own assessment of these approaches. First, micro-economics and by implication, Rational Choice.

'If we reject the paradigm of the pure economy, as established by the rational expectations school, this raises the problem of the social fabric,' Aglietta notes (1998: 45) .

Economic relations cannot exist outside a social framework. It is quite clear that in democratic societies individuals can pursue their own objectives within markets, subject to a wider range of constraints than just scarce resources. These constraints include lack of knowledge, moral considerations and institutional or organizational restrictions. Even such a general formulation is already far removed from the pure economy.

So this would suggest that economic subjects behave more along the lines indicated by institutional economics (see below, however). The other question that arises is, how does the economy as a whole operate as a comprehensive process, a macro-economy? As we saw, in neoclassical micro-economics this question is answered by resorting to game theory, the only way in which a society composed of self-interested individuals (and which cannot be described in terms of a logic of its own) strictly speaking can be conceptualised.

Aglietta refers to this situation as the assumption of 'the individual's desire and capacity to achieve the best possible deal under an exogenous set of constraints.' But goals do not emerge from utilitarian considerations on the part of the subject, and neither are they the result of the operation of the macro-economy, to which subjects respond in a functional manner. Schumpeter captured this by depicting the entrepreneur as an innovator, reaching beyond the society/economy as it existed at any given time, for better or for worse. Keynes on the other hand described the relations of power between the industrial managers and the financiers, the rentiers. 'Keynes shows that economic development depends on which is the

dominant force, the entrepreneur or the financier. However, which has the upper hand itself depends on the prevailing situation' (Aglietta, 1998: 45).

So whilst individualism in society gives rise to interest-based goals, Aglietta argues, the actions of the subjects do not in any way become collective goals in an unmediated way. The subjective actions and interest become entwined, positively or in conflict with each other; this is a matter of '*the nature of the social links which they are helping to change*'. In other words, it is the nature of the society in which they live which decides whether the totalisation of individual actions results in cooperation or conflict.

Those links, however, function primarily as vehicles for the formulation and pursuit of individual interests, because the successful pursuit of these interests depends on society's acceptance or rejection of the result of the actions to which they give rise. The social fabric appears first and foremost as a problem of collective belonging, *in the form of a system or systems in which individual interests are validated by the results they produce* (Aglietta, 1998: 45-6, emphasis added).

Note how the 'system' is conceived as the outcome of interest articulation and maintained by a perception that the system 'works for you' (or not)—leaving the ability of the subject to decide whether to continue to behave according to system rules, intact.

Now whilst the distinction with neoclassical micro-economics and Rational Choice is evident, with institutionalism the boundary line is much thinner. Under the heading 'Institutionalism as Pragmatist Minimalism', Aglietta argues that there is always a pragmatic way out of the dilemmas posed by the parallel existence of a micro-economic realm of subjects making choices, and a macro-economy operating as a system. 'the pragmatic position consists in taking note of the separation between microscopic and macroscopic phenomena... There is therefore a field of macroeconomic study that is closely linked to economic policy.' True,

Institutional economics is critical of this minimalist approach. It acknowledges the existence of a multitude of rules, agreements, customs and norms. It studies their appearance, their effect on the elementary economic agents and their defects. Compared with the microeconomics of the rational individual restricted by scarcity, *institutional economics emphasizes a variety of relationships*. These create more or less

extensive co-ordination systems among microeconomic players, favour certain behaviour patterns, conclude agreements and combine individual objectives into collective aims. The institutions therefore perform mediatory functions (Aglietta, 1998: 52, emphasis added).

However, institutional economics cannot solve the question why at the macro-economic level, the economy remains a functioning whole. And the problem as Aglietta sees it, is precisely that in the institutionalist approach, the emphasis is still on the subjective side of the equation, 'the perception that institutions are the products of behavioural interactions among microeconomic agents'. Not only is the list of what can be an institution endless (as we saw, every enduring habit at some point becomes encrusted as an institution). But

The ways in which the institutions are linked, dovetailed, hierarchically organized, and so forth, to form subsystems are not dealt with systematically. This institutional approach does shed some very important light on the collective factors that condition the behaviour of individual economic players and, by extension, on the environmental changes produced by the interaction of players trying to loosen constraints. But it cannot explain the existence, coherence or incoherence of macroeconomic patterns by this method (Ibid.).

We can now establish why for Aglietta and this approach in Regulation theory, the wage relation is such a crucial element (at least in the accumulation regime that the approach has been developed for, Fordism). The problem for a materialist Regulation approach, i.e. one which unlike the Grenoble approach does not posit the idea of a system a priori, is to find the pattern of social relations which can be claimed obeys system-like regularities.

Mediation and Class Compromise

The key is to find the connection between the micro-level of actions by subjects, and the macro-level, the *mediation mechanisms* between the two. It is from these mediation mechanisms that the particular mode of regulation can be reconstructed. The mediation mechanisms 'establish coherence among the imbalances inherent in the capitalist system' (Aglietta, 1998: 54). They produce a cumulative effect that gives rise to a *regime of growth*, in which resides the systemic aspect. In Fordism,

intensive accumulation, this is the wage relation between industry and organised labour, pegged on the productivity hikes achieved by the former. In neoliberal 'post-Fordism', *flexible accumulation*, it is the class compromise between finance and the home-owning middle classes who profit from the capital gains on debt-financed assets.

These class compromises have a tendency of becoming self-reproducing and in that sense acquire their systemic characteristics—self-correcting, growing, and subject to regulation. This regulatory capacity is ensured by state intervention, but *the state is not itself the system*. Nevertheless it is obvious that without centralised money, financial, and taxation policies, as well as targeted interventions to shore up or even bail out crucial sectors in the prevailing class compromise, no mediation mechanisms will be in place to let the system function. The state therefore remains a crucial player, and in this aspect the background of the Parisian Regulation approach in the theory of state monopoly capitalism becomes evident.

Indeed, just as the adherents of the theory of state monopoly capitalism, once they moved closer to state power in France, were ill-prepared to deal with the transnationalisation strategies of capital, the Parisian Regulationists were wrong-footed by this trend. The transition from Fordist mass production/ intensive accumulation, to neoliberal flexible accumulation can be theorised in terms of a restructuring from one class compromise to another and accompanying shifts in industrial structure. Piore and Sabel's (1984) study on the resurgence of workshop-based industrial capitalism marginalised by the standardised mass-production industrial economy that was dominant in the era from 1929 to the 1970s, in this respect should also be mentioned. To the extent it is explicit on its theoretical commitments, the authors follow the Regulation approach by distinguishing between different accumulation regimes and takes wage relations as a key variable

The actual process of internationalisation does not easily fit into the schemes of the Regulationists (cf. [Jessop, 1995](#) on regulation and *post-Fordism*). Aglietta in 1979 defined imperialism as the preponderance of one state, 'which puts it in a position to influence other states to such an extent that they adopt particular rules which secure the stability of a

multiplicity of multilateral commodity relations that guarantee the circulation of capital' (quoted in Waringo, 1998: 126). Marxist terminology apart, this would not be a bad definition of a 'regime' by the standards of Robert Keohane or Stephen Krasner. Actually as Waringo shows, the recent turn of the Parisian Regulationists to international issues has led to an explicit embrace of ...Regime theory as developed in the US. To this strand of thought we turn next.

3. REGIME THEORY

A regime is *a set of rules, implicit or explicit, to which the actions and expectations of agents (states) are oriented* and which therefore will tend to assume the characteristics of a structure that moves on its own account rather than being constantly reproduced through conscious choices. As in all systems theories, weak or strong, the agents have as it were to become conscious of what is happening to them before they will reclaim the right of choice and, say, opt out. A regime can also be approached (and has been) from the rational choice/public choice angle. Thus in 1973 [Charles Kindleberger](#) argued, in an analysis of the Great Depression, that there always has to be one state which backs up the rules under which the international order operates. This state acts as the 'hegemon' and provides the 'public goods' that lend stability to the system. This *hegemonic stability theory* highlights the actor side of the regime; here we look at the system aspect, that is, the set of rules once it is in operation.

Scholarship (the epistemological aspect) is therefore necessary to break the spell of the automatisms involved in the operation of a regime, the need to 'open one's eyes'.

Structural Conflict

Regime analysis is a (unusually unacknowledged) variety of systems theory (cf. the original definition of 'regime' as a system's rules, in Easton, 1965: 157).



Stephen D. KRASNER's *Structural Conflict* (1985), deals with the 1970s struggle over a New International Economic Order (NIEO) between a coalition of Third World states and the West in these terms. This is an example of the Regime approach that cautiously ventures beyond the limits of state-centric realism because the 'regimes' are interpreted as applying to the global political economy as a whole, the 'rules' by which players (states) have to abide.

Krasner distinguishes between a *market-oriented regime*,

in which the allocation of resources is determined by the endowments and preferences of individual actors who have the right to alienate their property according to their own estimations of their own best interests

and a regime of *authoritative allocation* which involves,

either the direct allocation of resources by political authorities, or indirect allocation by limiting... property rights (Krasner, 1985: 5; of course, 'authoritative allocation' is another leaf from Easton's work).

The NIEO was based on authoritative allocation, a global Keynesianism aimed at restricting the world market movement of capital (cf. Kohler, 1999). The systemic constraints make themselves felt as a set of connections (the regime) into which strategic choices land those who make them: say, nationalising the oil industry leads into the set of constraints that together constitute the authoritative allocation regime; whilst privatising it leads into the opposite direction, and so on. There is in other words, an objective logic which draws agents into patterns of behaviour they would not necessarily have 'chosen' at every step on the way.

Yet the regime does not in the end operate as a iron mechanism, reducing agents to mere puppets. Also, it remains firmly state-centric, grounded in realist assumptions. Krasner's approach does not open up the sovereign state itself and makes no claim about forces directing it from the systemic level either. Certainly a systemic structure of determination is offered here, but it is a structure in much the same way as when

somebody who decides to see a movie, finds the seats arranged in rows; an arrangement that is extraneous to the decision to go into the theatre.

Ultimately, in Krasner's neo-Realist Regime approach, events revolve around the constant of state security interests and the struggle for power, even if consequences may hang together systematically once agents have collaborated to constitute a regime on which actions and expectations converge. A comparable reassertion of the principle of national interest can be noted in the development of an earlier version of weak systems theory, (neo-) functionalist integration theory (for an analysis of labour regulation via international regimes, cf. [Trubek et al., 2000](#))

Functionalist Integration Theory and Epistemic Communities

Integration is the form of international organisation in which sovereignty is pooled and partially transcended. The European Union is the classical case of integration, perhaps because it has been the product of a situation in which Germany, partitioned between the victors in World War II, had to find its place again in the international order.

In the context of the cold war, West Germany was allowed to gradually recover its sovereignty and economic primacy (a process consummated in 1989 with the reunification with the East); its key partners were the United States, the architect of the Atlantic bloc, and France, its opponent in three wars. Every step forward in West Germany's recovery was carefully negotiated (initially under US auspices) with France, so that Paris retained a measure of control over the uses to which German sovereignty might be put. The Coal and Steel community, Euratom, the EEC, and in the defense field (after the failed European Defence Community and West Germany's inclusion in NATO), Western European Union. In the Association policy with former colonies, the Common Agricultural Policy, the various monetary schemes culminating in Economic and Monetary Union of 1991, the same pattern can be observed. There are in fact few examples outside Western Europe where anything like this type of pooling/merging of sovereignty has ever taken place, so the claim that integration is a general feature of international political and economic development is doubtful.

Integration theory therefore lost much of its specificity once the process of European construction had been completed and its remaining problems were dealt with either by resorting to neo-realist theory or by the Regime approach.

In terms of systems theory, integration studies received an initial impetus as an outcome of the postwar planning during World War II. [David Mitrany](#) (1888-1975) conceived of integration as a process in which states were gradually deprived of the means to wage war because aspects of their sovereignty were de-territorialised and de-politicised. The process of transnational integration was an objective process, undermining the self-sufficiency of states and individuals alike (Mitrany, 1966: 27). By investing new transnational bodies to coordinate tasks in certain technical domains which did not involve the life-and-death issues associated with the war-making powers of sovereign states, Mitrany expected that a functional multiplication of such technical domains would ensue ('the logic of ramification') (1966: 82).

The weak system in this case combines a self-sustaining logic of widening and spreading integration in 'technical' domains, with states retaining the ability to agree to allow slices of their sovereign powers to be detached and made part of it. This idea was taken up by others to analyse the first steps towards integration in Europe. [Ernst B. Haas](#) (1924-2003) applied Mitrany's 'logic of ramification' to the process by which the European Coal and Steel Community of 1952 brought forth Euratom and the EEC in 1958. Haas maintained that the ECSC had created a political community at the level of the 'Six' states taking part, which could propose, discuss and adopt the proposed later structures. He took this to mean that Mitrany's 'logic' worked (he calls it himself the 'spill-over' process). In the second edition of this study, Haas had to concede though that national sovereignty had not been discarded—De Gaulle could actually interrupt the process completely. So whilst there is a systemic process with a rationality of its own, the states retain their freedom of action, as France showed by blocking the access of the UK to the EEC in 1962 (Haas, 1968: xxiv).

Haas developed his systems approach in 1964 in a study on the International Labour Organisation—a form of international organisation rather than integration in the aforementioned sense. Here he identified the operation of a system as the workings of a systemic learning process, in which actors pursue purposes but find out that the result of their intentions may be different. ‘Function’ now refers to this unintended effect, and is fed back into the definition of purposes in the next round. This then combines states’ actions with the operation of an objective constraint in the same way as do regimes.

From a different (sociological) angle but still with elements of the same weak systems constraint in evidence, the *epistemic communities* approach. As represented by Peter Haas and others (1992), epistemic communities are networks of experts who are able to push issues which (like the technical issues detached from state sovereignty) become de-politicised because they are no longer seen as pertaining to sovereignty directly, but as belonging to a transnational or otherwise transcendent sphere of common concerns (for a sample study, [Whiteneck, 1996](#)).

In all cases discussed in this chapter, actors, whether states, interest groups, classes, or other, retain the ability to choose to enter the system (mode of regulation, regime, integration domain) and allow its objective rationality to operate, *or not*. (The same for whether an epistemic community is allowed to devote itself to an issue or not). That is why we speak of weak systems theories. This becomes quite something else once we move to the strong systems theories in the next chapter.

Applying the Method

In the Regulationist/Regime approach, the researcher will have to define the elements of the system and the relation of the agent to them.

The main elements of the system that will have to be identified, are

- The process of growth through differentiation and specialisation
- Regulation, and
- The overcoming of dysfunctionality

For example, in a Regulation approach project we look for the *expanding scope* of the economy subject to the principle of regulation. Say, from the national economy (France, the US), to regionally integrated economies (the EU), to the world economy. Say, growth occurs through the quest for pools of cheap labour in the context of intensive or extensive accumulation, Fordism and post-Fordism, and the mutual articulation of these two forms of capital accumulation. Of course, the terms of abstract system theory (growth through differentiation/ specialisation) at some point recede into the background.

In a Regime project, we would look for the scope of the regime. The Kyoto protocol is an example. As more states sign up, the regime begins to exercise the role of a regime in shaping expectations and dictating behaviour also for other states than the signatories.

The identification of the regulatory instance will follow the 'growth' of the system: in the Regulationist example, from the state, to the states plus the EMU institutions, to the states plus the IMF/IBRD + WTO, and so on. Always note that these act as regulators, it is not a planned economy we are talking about: they act *within* the system, in the way the central nervous system regulates the body in its development.

In the Regime approach the same regulatory instances, perhaps we should also think here of the 'epistemic communities' of experts in a given area, in the Kyoto example the Global Panel on Climate Change for instance. We come back to epistemic communities as a link between knowledge and power in the chapter on Post-Structuralist theories.

Finally, the issue of dysfunctionality would involve, in the Regulationist project, the identification of structural imbalances in the relation between productivity growth and wage growth in Fordism, trade and payment imbalances in the trend to globalisation of the capital relation, and the like. Since we are dealing with a weak systems theory, we always have to pay attention to how the imbalances *are being perceived* by the different social forces which are part of the political-economic entity we are studying: this after all is a determinant of the operation of the systemic connection.

With the Regime approach, this incidentally produces the type of (otherwise confusing) presence of rational choice theory elements in an argument: thus the 'free rider' problem of public choice/hegemonic stability theory (a state profiting from the overhead costs made by the hegemonic state for the greater good), may be a dysfunctionality in system terms.

7

World System and Long Cycle Theories

In this chapter, we discuss *strong* systems theory, that is, theories in which the preferences of the subject are understood entirely as *a function* of the operation of an objective rationality, a structure of society—in this case, the capitalist world economy. Immanuel Wallerstein, who coined the concept of the ‘modern world system’ to denote the political economy of the capitalist era, drew on debates concerning the history of capitalism, pioneered by Fernand Braudel and André Gunder Frank. From them he borrowed the notion of capitalism as *profit-driven economic activity*; an understanding that differs from the Marxist notion of the exploitation of labour as the primary determinant of capitalist development.

We first turn to the debates from which World System Theory emerged, before looking into this particular theory itself and the materialist structuralism on which it is based. In section 3 we look at Long Cycle theory which also adopts a strong systems approach to the historical process. In this section I also briefly refer to complexity (or ‘chaos’) theory as a variety of systems theory that introduces *indeterminacy* into the understanding of large-scale (in this case, political economic) processes.

1. CAPITALISM AS THE HISTORY OF PROFIT-DRIVEN ENTERPRISE

As will be remembered from Chapter 2, 'capital' in neoclassical micro-economics refers to plant, machines and equipment applied to the production process. Money is separate from the 'real' economy and represents only a claim on economic goods or services. However, in the original meaning, in 14th-century Italy, 'capital' meant a stock of goods *or* an amount of money. It was used interchangeably with terms like 'principal', and referred to the assets thrown into a process of production or transportation.

In the late 19th, early 20th century, the German historical school, as well as thinkers like Max Weber, adopted the term 'capitalism' to describe it as a historical system. [Werner Sombart](#) (1863-1941), the author of *Der moderne Kapitalismus* of 1902, like Weber emphasised that capitalism is premised on a particular 'spirit', a mentality without which it cannot thrive. Weber saw this in Puritan Calvinism. Sombart claimed that not Protestantism, but Judaism embodied the capitalist spirit, because it represents a 'legal' (scriptural) rationality that is separate from nature (if not actually contrary to nature) (Slezkine 2004: 54). In Sombart's view, classical political economy had been wrong in thinking that the instincts associated with capitalism were natural; they were new, distinct from traditional attitudes to workmanship. In his subsequent *Der Bourgeois* of 1913, Sombart claimed that modern capitalism had become split in this respect. A progressive industrial element, the entrepreneurs (supposedly driven by a Nietzschean will to create), were preyed on by money-grabbing Jews. In fact, Weber's studies on the Protestant Ethic in part had been meant to rebut this equation of pecuniary, *rentier* capitalism with Jews (Brick, 2006: 28)

Sombart in the end became a sympathiser with the Nazis – as did Henry Ford, another anti-Semitic critic of the financial world (in reality, Jews in the banking sector were always a minority, too). However, the identification of capitalism with Jews has been an easy way to deflect discontent with capitalism in the countryside or among recently urbanised people, who only perceive its predatory, pecuniary aspect. [J.A. Hobson](#)

(the author of *Imperialism, A Study* of 1902) was inspired by Sombart's work and included a laudatory reference to him in the revised 1910 edition of his book on the *Evolution of Modern Capitalism* (Brick, 2006: 29). Although not an anti-Semite, Hobson too thought that international finance was controlled by 'men of a single and peculiar race who have behind them many centuries of financial experience' (quoted in my 1984: 16).

The 'Annales' School and Braudel

In the period from the 1890s to the 1920s, a French-speaking critique of the work of Sombart and Weber emerged that was to provide an influential alternative. The World System approach is an offshoot of this alternative. It begins with the Belgian mediaevalist, [Henri Pirenne](#) (1862-1935).

Pirenne in his work on the Middle Ages develops a materialist theory of social and economic causation (e.g. in his work on *Mohammed and Charlemagne*, he claims that the Viking raids were a consequence of the displacement of the Mediterranean trade routes to the north by the Muslim conquests, cf. Pirenne, 1937). Capitalism therefore does not originate in a specific mentality but in material circumstances, in this case the revival of towns and trade routes in the eleventh and twelfth centuries.

Both Sombart and Weber reacted with arrogant disdain to Pirenne's theses but young French historians Lucien Febvre and Marc Bloch were so enthused that in 1929 they established the yearbooks on economic and social history, the *Annales*. This school of thought followed in Pirenne's footsteps to develop a materialist, bottom-up understanding of economic and social history (Brick, 2006: 29).

In one respect, Pirenne shared Sombart's and Weber's ideas about capitalism—he saw capitalism as a system of production and trade *for profit*. Weber and Sombart also considered capitalism a phenomenon associated with large-scale organisation, especially industry, and looked for mental changes in the period leading up to the industrial revolution (although Weber thought the spirit of gainful enterprise was age-old).

Pirenne on the other hand, as a mediaevalist, detected the roots of capitalism much earlier. Capitalism for him appears in the practice and outlook of the merchants in the Middle Ages. Here too there occurred a particular mutation in people's outlook: the merchants were 'on fire with the love of gain', used credit, speculated, and sought expansion of their business; they were shrewd calculators and driven by a quest for profit (quoted in Brick, 2006: 30).

It was this idea of capitalism as something that begins in profit-driven commerce that also underlies the work of [Fernand BRAUDEL](#) (1902-'85), no doubt the most influential of the *Annales* historians.



Braudel's writings include a three-volume history of the Mediterranean during the reign of Philip II, written during the Nazi occupation of France (when the author was in German captivity) and *Material Civilisation and Capitalism, 15th-18th Centuries*, also in three volumes (Braudel, 1981-1984).

Braudel's definition of capitalism is based on a materialist ontology. The level of control of the forces of nature which Marx calls the productive forces, here is conceptualised as 'the limits of the possible' (Braudel, 1981). Exploration and trade routes in his theory chart 'world-economies', that is, concentric zones of economic interaction which have the potential to develop into world-embracing networks, although they can also be captured by others (Braudel, 1984: 25).

The change to a profit mentality as the defining characteristic of capitalism in this perspective is consistent with materialism; ideas are *reflections* of an objective process that ultimately emanates from nature (as does the human brain as such). This understanding resonates in the use of the term 'materialist' in popular parlance, as a one-sided concern with material goods.

Underdevelopment and Terms of Trade

Braudel's idea that the essence of capitalism resides in the profit motive and profit-driven activity, makes *commerce the enduring bedrock of*

capitalism. In Marx's view, on the other hand, commerce predates capital properly speaking (he does not use '-ism') and even poses an obstacle to its emergence. Only after the separation of labour from its own means of production can we speak of capital, and trade is then made into one of its constitutive cycles of value (see Chapter 8). In the tradition we look at here, unequal exchange in trade is the more fundamental process.

The idea of conceiving capitalism as *a system of exchanges* also was alive in Latin America, which had a long tradition of criticism of the economic role of the United States in the Western Hemisphere. These critics, who became known as the *Dependencia* school of thought, see the poverty of the South as a result of low prices for the exports of primary products to the North—sugar and coffee from Brazil, grain and beef from Argentina, nitrates and copper from Chile, and so on. As a result of the deteriorating *terms of trade* between primary products from the South and industrial products from the North, the Latin American countries failed to industrialise and remained locked in a role as raw material and food suppliers.

[André Gunder FRANK](#) (1929-2005) fled Nazi Germany with his parents as a boy and studied in the United States. Working at universities in Brazil and Chile, he coined the phrase of the *development of underdevelopment*. By this he meant that the South (in Latin America and elsewhere) was not originally *un*-developed. Still in 1900, Argentina was considered one of the world powers of the future. However, by being subjected to unequal exchange relations with the United States and other industrialised economies, Latin America had *become underdeveloped*. Unlike the 'stagist' theory of US government advisers like [Walt W. Rostow](#), which assumed that every country in the southern hemisphere begins by being poor, Frank showed that it was only in the exchanges with the 'North' that these economies had lost their balance internally and hence failed to accumulate capital domestically and industrialise on their own.



In a polemical essay, 'Sociology of Development and Underdevelopment of Sociology' of 1967, Frank attacked Rostow's assumption of a series of definite *stages of growth* that every country has to pass through to develop. The only way that countries which were poor by that time, could replicate the development path of the currently rich countries, was by finding other countries to exploit (Frank, 1971b: 25-9). Indeed *under-development* of the South only emerged as a result of development in the North; the two are sides of the same process.

In the process, a global structure emerges in which a *metropolis* (the United States, Western Europe) imposes itself on *satellites* in the south, through colonialism or otherwise. Forcing these satellites to produce cash-crops or raw materials for the metropolis, the North not only profits from the unequal terms of trade (cheap raw materials in exchange for expensive industrial products) but it also distorts the social structure of the south at the expense of a modernising industrial bloc of forces (Frank, 1971a: 34-5). True, the quasi-feudal structures it imposes do not look like capitalism (work is done by bonded labour, there is no free market, etc.). But they are part of a world-embracing capitalist structure in which the capitalist relations prevalent in the North rest and rely on the semi-feudal relations of the South.

Not to see that these are part and parcel of capitalism, Frank argues, can only end in a sterile, formalistic Marxism which does not recognise the systemic aspects that surround the core where wage labour works for capital. Frank later traced the history of this system back even much further than the 16th century and parted ways with Wallerstein on this issue (see [Frank, 2000](#)).

2. WORLD SYSTEMS THEORY AND DETERMINISTIC MATERIALISM

We can now see where World Systems theory takes its point of departure—in the notion that *capitalism develops as a comprehensive, structural constraint at the international level*. It combines a core (metropolis, North), where the social transformations have taken place that we use to define capitalist economy properly speaking, with a periphery that is

equally part of this capitalist system. Core transformations were always premised on the world-embracing networks of plunder and trade and continue to be reproduced through them, as much as they are driven by social changes internal to the core.

Wallerstein's Reading of Braudel and Frank



World Systems theory under this label is the work of [Immanuel WALLERSTEIN](#) (b. 1930).

Dissatisfied with his earlier work as a modernisation theorist specialising on Africa, Wallerstein in the early 1970s he set out to combine the theses of Braudel and Frank into a theory of development and underdevelopment as a process that evolves as a system. Wallerstein wants to analyse the 'Northern' side of this systemic relationship and to do so historically. The systemic constraint according to Wallerstein resides in the patterns of long-distance trade, or as he calls it, the particular *division of labour*. This system is bounded in a specific way, internally structured, regulated, centralised, and subject to functional mechanisms such as self-sustenance, growth through specialisation, removal of dysfunctionalities, and so on—everything we know from General Systems Theory (cf. [Goldfrank, 2000](#))

The analysis starts off by a demonstration that in the early mercantilist era in Europe, long-distance trade began to be transformed by the inflow of precious metals from the Western Hemisphere. In the face of price inflation, 'state managers' (in practice, absolutist monarchs with their advisers, or city oligarchs as in Venice or Holland), resorted to *two different strategies* to profit from the new opportunities of long-distance trade. Of course the world economy as a specialised trade system was only dimly visible at first, so that the actions of rulers had a degree of anticipation of something still in the making, which their eventual actions will even foster (if functional) or not (if dysfunctional).

- One was the *imperial* strategy, of which Philip II of Habsburg Spain was a representative, but also the early French kings. This strategy aimed at bringing all the lands which were or began to be connected into the long-distance trading system, into a single political empire. This was the doomed strategy because it was contradicting the properties of the system that was in the process of establishing itself.
- The second strategy was the strategy of functional *specialisation*, in which each state seeks to adapt its actions to the functional requirements of its place in the system.

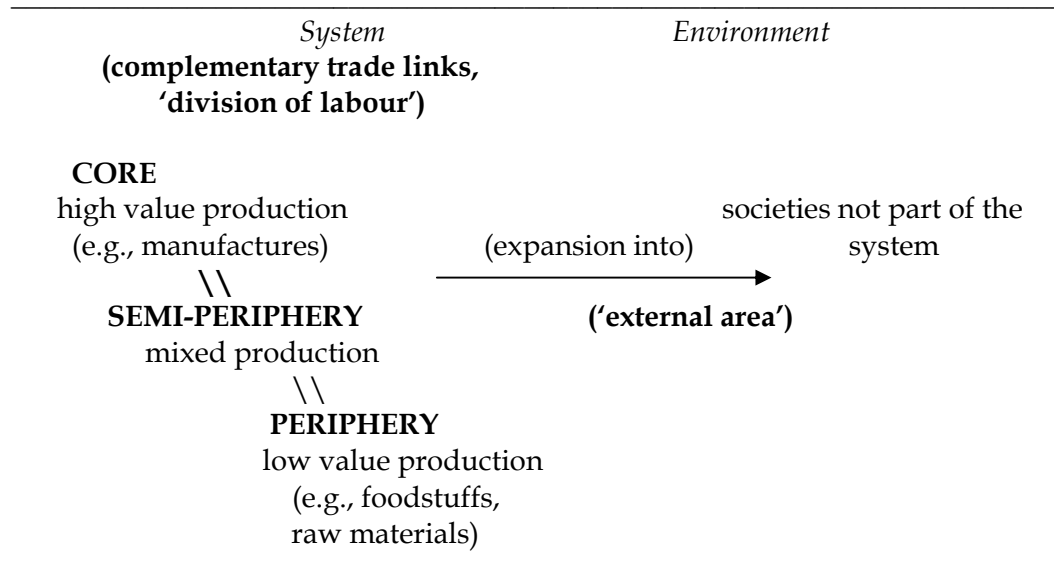
The different components thus gradually specialise, through mutual trade and the right or wrong policies, into the functional complementarity that Wallerstein refers to when he speaks of the division of labour. With the 'external area', there is also trade, but this is random trade, mainly luxuries and gadgets, *nothing structural on which other areas rely for their own functioning and the production of which they have therefore abandoned*.

The system constraint, in other words, resides in the specialisation of the component parts of the European world-economy). This specialisation produces (or reinforces the inherent trend in the direction of *high value production* in the *centre* (core, metropolis) with all its implications for 'regulatory' power). The core crystallises (and the quasi-organic system constraint becomes operative) by contracting out the supplies of raw materials to what thus becomes the periphery or the semi-periphery.

Braudel was the key source of inspiration for Wallerstein but the Frenchman was somewhat sceptical of the result. In his magnum opus (published originally in 1979, five years after Wallerstein's first volume) Braudel estimated that Wallerstein's theory is perhaps 'a little too systematic' (Braudel, 1984: 70). He certainly agreed with the thesis that 'capitalism can only live if it is surrounded by the older modes [of production], and indeed at their expense' (Ibid.: 64-5). But he is too much of a historian and too deeply interested in the variety of daily life to accept Wallerstein's deterministic interpretation of the world economy.

The different areas in Wallerstein's theory are the following (figure 7.1).

Figure 7.1. Structure of the Modern World System



The strategy of functional specialisation was followed by the Dutch provinces, by England, and later by France (after it initially, like Spain, had mistakenly pursued an atavistic imperial strategy (a strategy of 'world-empire') that bankrupted it just as the Spanish Habsburgs had been) consisted of a number of partial strategies. These included minimising overhead costs by abandoning territorial-imperial ambitions, forget about fiscal policies aimed to tax the most successful economic sectors and instead foster them by mercantilist policies (active protection). This resulted, over time and by the cumulative effects of an increasingly purposeful mercantilism, in concentrating high value-added production in the core. This consistently reinforces the position of the states making up the core in the division of labour. Indeed *the state itself* was a product of the core role.

In Wallerstein's words,

The structure of historical capitalism has been such that the most effective levers of political adjustment were the state structure, whose very construction was itself, as

we have seen, one of the central institutional achievements of historical capitalism (quoted in Palan, 1992: 23).

The form of labour relations, or what Wallerstein calls, *mode of labour control*, is an aspect of the core's position in the overall division of labour (i.e., the specialisation in a specific 'zonal' role in the economic geography of the system. Labour in a core state will be free and in a position to profit from the overall role of the core in the world-economy.

The periphery, too, specialises in raw material and primary foodstuffs, that is, low value-added production. The mode of labour control of a peripheral state is *bonded* labour, because the side-benefits are minimal and pocketed by the local elites, or in Frank's terms, the *comprador* bourgeoisie (from the Spanish term for merchant). The semi-periphery typically combines some of the tasks and characteristics of both, according to Wallerstein in the way a foreman in a factory serves the boss but also faces him. This role has control aspects, as well as aspects of a mediating mechanism in between the extremes.

Wallerstein analyses all this in the spirit of Frank and Braudel, as a critic. Unlike Ricardo's comparative advantage theory and its modern replicas, he does not believe in universal benefits, on the contrary. There is persistent *exploitation* of the periphery by the better-placed zones, and of the semi-periphery by the core. Therefore the state managers of the peripheral states should not blindly continue to increase their production in the sectors that define them as part of the periphery. If a raw-material producing state continues to increase output and keep its labour in a state of bondage to avoid disruption, it only reinforces a losing position.

Instead Wallerstein argues that peripheral states (and here the OPEC experience rises up in the background) should not just try to produce more raw materials, but should emancipate from their structural peripheral position by changing their productive contribution to the division of labour, and move up the ladder by mobilising the resources for a different position in the world-economy. State socialism in Wallerstein's view was never the solution; he considered a state-socialist economy (in the 1970s already) as comparable to a multinational enterprise, albeit one with a peculiar system of internal distribution. In the spirit of Frank,

Wallerstein argues that in a capitalist world-economy there is little chance to opt out in the long run because one remains part of the overarching distribution patterns on which capital accumulation in the core is premised (cf. [Wallerstein, 1995](#)).

All along, the issue of the origins and nature of capitalism continued to be debated, in an echo of the disagreements between Pirenne and Sombart. In the 1950s a debate erupted over the issue whether the transition from feudalism to capitalism had to be understood as originating the transformation of the social relations between lord and peasant, as had been argued influentially by Maurice [Dobb](#). Dobb maintained that a full-blown capitalist economy could only come about in/after a prior bourgeois revolution—in England, the Civil War (Brick, 2006: 41). Paul [Sweezy](#), one of the founding editors (with Paul Baran) of the journal *Monthly Review*, on the other hand maintained that long-distance trade had played a crucial role in the unravelling of feudal relations; whilst the origins of capitalism had to be investigated as a separate issue from the decline of feudalism. The trade emphasis of course overlaps with the approaches discussed in this chapter.

Whether the transformation of social relations on the land or the unequal exchange resulting from long-distance trade (Wallerstein's division of labour) is at the root of capitalist development, came back when Robert [Brenner](#) challenged Wallerstein along these lines. To Brenner, class struggles in the English countryside had worked to end serfdom without replacing it with peasant small-holdings. Following the enclosure movement in which the *commons*, the village grazing grounds used in common by all, were privatised whilst those formerly working the land were expelled to make way for sheep (Thomas More already spoke of 'sheep eating men'), private ownership and wool production for the market replaced self-supporting agriculture whilst creating armies of landless available for exploitation. This engendered capitalist production as private landowners hired wage labour to produce for the market (Brick, 2006: 41; cf. Brenner, 1977).

What stands out in World Systems thinking (and in the related Long Cycle theories), is that somehow there is *a higher logic* at work, because

once the system is in operation, it seems as if participants' perspectives on it are dimmed; they blindly run their treadmills, especially those in the most deprived parts of the division of labour. This takes us to the nature of World Systems Theory as a structuralist theory, a materialist determinism (cf. [Burch, 1995](#)).

System Determinism and Materialism

The thrust of Wallerstein's analysis is materialist and deterministic, it is a strong systems theory which defines the system in economic terms. As in all theories discussed so far in this chapter, this materialist starting point includes a specific mentality that arises, as a mental reflection of practice, from the economic structure. Thus state managers and other actors single-mindedly pursue their profit strategies (and directly derived policies in non-economic areas) because of the logic of the system.

In materialism, everything emanates from nature; the economy is the activity which is closest to nature because it is the process of transforming it; all other human activity is in turn determined by the economy. Hence, 'the reduction of political and social actors to the status of mere profit-seeking agencies', Palan writes, 'is not accidental.'

By decreasing the level of complexity of the world-system down to a one-dimensional place which is named "capitalism", the capitalist world-system can be portrayed as an organic self-regulating and all encompassing system (Palan, 1992: 23; cf. Wallerstein, 1974: 347).

In other words, because the social process is reduced to a single driving force, it can be described as an organism, a system. The equation of the capitalist economy with a natural process, which has its origins in nature itself, defines the approach as materialist, but it is simultaneously a structuralist theory that is highly deterministic and leaves practically no role for actors other than functional behaviour. This may include functional *alternatives* (a strategy of trying to jump a zone instead of trying to improve but forgetting about the structural constraints), but they are still forms of profit-seeking behaviour.

Everything goes back to economic considerations and material flows of

goods and wealth. Not a word of any spiritual forces operating on their own account – which is why superficially, it reads to many like Marxism (in the next chapter we will see that Marxism after Marx broadly speaking slipped back into a naturalistic materialism again). Wallerstein's arguments on the spread of Protestantism (a core phenomenon) and the entrenchment of Catholicism are based on the same determinism.

Theories of subjective rationality as discussed in Part I, take the subject as their starting point *both* in their view of the world (ontology) and in their theory of knowledge (epistemology). They can leave the classical ontological issue of materialism versus idealism largely for what it is, and in British empiricism with its agnostic tradition, the materialist implications of an empirical analysis were played down anyway. Certainly, the subject can act on the basis of ideas (rationality, or a set of values, as in Rational Choice and Weberian action theory, respectively); or on a material basis, as with institutionalism (practical life, in which habits form). But the rationality is subjective (which includes in some approaches that 'we' may not see it as rational at all).

Essentially, subjectivist theories, whether idealist or materialist, give the agent a free hand, and *will* (whether based on rational choice, on values, or on habits) decides how the agent acts. That is why we also speak of *voluntarist* theories, from the Latin 'voluntas', will). We assume the agent is not constrained by structures which lead a life of their own.

The opposite of a voluntarist theory is a *deterministic* one. Here action is preordained (to different degrees) by the operation of the structure. The determinism of a regime, or a mode of regulation, is weak because the degrees of freedom for the agent remain substantial even if there is a price to pay for straying from the regime or mode of regulation, just as there is a premium attached to remaining on board. In the sense that opting out of the neoliberal monetary regime inscribed in the Economic and Monetary Union in the EU is possible, 'as long as you have an army'. But it will be costly.

World Systems theory on the other hand is a *strong systems theory*. It is highly deterministic, because once the modern world system germinated

in the 16th century in Europe, it began to lead a life of its own of which the inner workings were only revealed in the writings of critics like Wallerstein and of course, his predecessors, Braudel, Frank, and others.

In an objectivist, structuralist theory, not only does the 'object' (society, the world, the universe) become transparent *in principle* (it may take very long to discover though). It also completely *determines* the behaviour of the agents active in it, because the system is so comprehensive and extensive, that there is little meaningful reality outside it. Actors *may think* they make choices, but in fact they make these as functional components in a larger organism. Indeed the argument is that they act to maintain the system as a whole without necessarily being aware of that. That is what is called *functional behaviour*.

A 'functionalist' explanation, as we saw, is that the systemic outcome is projected back into the events that led to it: thus if there is a theory that holds that a dominant state loses power after a century, and that a war is then necessary to allow the next dominant state to achieve its position (a typical World Systems/Long Cycle argument), one will get the explanation that e.g. World War II was *necessary* to allow the US to establish its dominant position in Europe at the cost of Britain. The question then may arise, did the belligerents know this—to which the answer is, that is not important. The idea is always that the system works by its own logic, determining the actions of the agents active in it irrespective of their *structural literacy*, that is, the degree of awareness of which system they are actually engaged in keeping in place.

In epistemological terms, this produces the situation that there will always be the 'eureka' moment, the flash of insight that reveals the objective inner workings of the system—not just the discovery of a regulatory mechanism (the WTO to keep the neoliberal free trade regime in place, or the state to observe the balancing of wages and productivity growth), but the system as a whole, in all its aspects. Hence a deterministic theory tends to leave only a small hole through which to escape and then turn around and look back. This escape is usually the weak link in the theory, because if the theory is deterministic, how come it does not determine also the thought of those who understand it, and in

that sense, rise above it. Marx's *Theses on Feuerbach* are the locus classicus of this question: there he argues that this dilemma requires that society has to divide itself into two.

The agents in World-Systems Theory have lost any independent existence outside the system, they are completely enveloped by it except for the occasional escapee and his/her students. They may then convince others and to the extent the insight begins to spread, people will 'stop to think'. Then the spell of the system as it were is broken, but this is a very problematic aspect of the theory and the meta-theory of systems thinking as such. Wallerstein however is almost completely silent on the systems aspect of his work; he apparently does not deem it necessary to convince anybody of its merits as a theoretical tool. Hence it has been argued that Wallerstein applies a system rhetoric rather than a systems theory (Nederveen Pieterse, 1990: 37). One explanation might be that as an established modernisation scholar with a social science training saturated with 1960s systems thinking, this approach had become a second nature when Wallerstein applied it to the critical study of the world economy.

As a result of not making the systems assumptions explicit and investigating their implications, what came out may perhaps be labelled *an idealised materialism*. Whilst the world economy and the political formations active in it, are all analysed in materialist economic terms, the material forces ultimately appear to obey a higher logic, an objective rationality. This rationality can eventually be brought to light by critical scholarship, and changed accordingly—although again the question remains whether insight (and ideational force) or material forces determine this change. The question is that an integral, explicit materialism is *always* metaphysical, because it supposes that critical insight itself also ultimately emerges from nature (through various mediating instances—the economy, society, the brain...

Hegel went so far as to identify himself as an intellectual equivalent of Napoleon, who 'realised' this inherent rationality in the world by establishing the modern state; just as he, Hegel, was achieving the integration of all philosophical speculative thought (McCarney, 2000, and our Chapter 8) . Wallerstein's intervention may likewise be situated in a

specific historical conjuncture, that of the Third World coalition to put and end to unequal exchange with the North through a New International Economic Order.

In our figure, a strong system can be broken down as follows:

Figure 7.2. Strong Systems Theory – The System in Command

O		N	T	O	L	O	G	Y
Agents acting out system requirements		Functional, optimising behaviour in the face of challenges from the environment, or to fulfil requirements for system maintenance					Self-regulating properties of system	
functional knowledge for optimising the system (OR <i>historic consciousness</i>)		observation of (dis-)functionalities (<i>understanding the system as such</i>)			empirical system effects		System rationality	
E P		I	S	T	E	M	O	L O G Y

One GPE offshoot from World System Theory is *Global Commodity Chain* (or *Global Value Chain*) theory. This approach, associated with the names of Gerry Gereffi and Raphael Kaplinski, respectively, deals with something that World Systems Theory is badly placed to deal with—the transnationalisation of production. What happens when production is organised *across* different zones in the world-economy?

In this approach, the economic geography and the emphasis on exchange relations (enveloping and determining actual production relations) of World Systems Theory mix with institutionalist elements into a theory in which the organisation of production spread over different zones (from low value-added to high value-added) is organised from a single centre of control. Control is exerted not through markets, but by ‘various non-market linkages that are necessary for the functional integration and co-ordination of the linkages within the value chain (input-output structure), the monitoring of quality, price and delivery (QPD) reliability, and procedures in appearance and packaging’ (Merk,

2004: 132). This is a process of functional complementarity within a single control structure, because otherwise we would be looking at mere market interconnections. Therefore it raises the issue of regulation in the system sense, for the company or groups of companies that occupy the controlling position within the chain and can (from their 'core' position, i.e., at the controlling end) set the conditions under which the suppliers and handlers of semi-finished products, are integrated into the whole (Ibid.)

3. LONG CYCLES – HEGEMONY AND ECONOMY

Long cycle theory is akin to World System theory and overlaps with it, in that a structure of determination is at work which 'governs' the historical process as a whole and yet this structure is understood in materialist terms as a sum total of 'objective' forces—the structure and conjuncture of the economy, the strength of armies, geographical location, etc.).

There exists a tradition of economic long cycles ([Kondratieff](#), Gerritson). In classical political economy, the sun-spot theory and other natural phenomena gave the original impetus to this sort of analysis. Modern theories of long economic cycles tend to identify a major invention and then trace the accelerator effects of that invention (steam, the automobile, the computer) over the wider economy, until the effects run out. The suggestion of a sort of organic growth, maturity and decay suggest themselves.

In global political economy, the long cycle is connected to the hegemony of a *state* which acts as the regulator in the system sense (i.e. the system is the determining structure, the hegemon is *in* the system, acting in ways to sustain/develop it). Wallerstein himself branches out into Long Cycle theory in *Historical Capitalism* (1984).

Cycles of Hegemony and War

Peter Taylor has analysed the hegemonies of Holland, Britain and the US

as anchored in the economy rather than in state power. France defeated Spain in the 17th century, Germany did the same to France at the end of the 19th, by using their power to subdue the sovereignty of the other. But the Dutch, British and American states 'did not threaten the sovereignty of other states in the system.'

Theirs was a sophisticated economic expansion rather than a crude war strategy to gain territory. Instead of the political-military imperatives that are expected to dominate international relations, these states had very definite economic agendas in which political elimination of rivals was simply not relevant. They pursued political-economy imperatives (Taylor, 1996: 23)

Hegemony for Gramsci, who made the term famous, refers to the capacity of a class to gain acceptance of its leadership over others, which is then consolidated through state power. For the Long Cycle theorists (and for Realist and all other state-centric theory), *the class aspect is dropped and only the state aspect remains*. So it is the single state which exerts hegemony (although the consensual aspect remains, it is accepted leadership). However, the system perspective dictates that it is the system which determines what sort of state is needed to act as the regulator (the hegemonic state). There is no point comparing the power of Holland with that of Britain later, and the US still later; the system 'could do' with the relative modest power of the Dutch provinces, because setting the example is for instance as important as a regulatory principle as the straightforward force a state can mobilise.

World hegemony is seen as a property of the whole system and not just of the hegemon itself. Hegemonic states are particular core states that appear at specific conjuncture in the development of the world-system and are implicated in the overall development of the system. In short the capitalist world-economy has evolved through rather long cycles we term *hegemonic cycles* (Taylor, 1996: 25, emphasis added).

These cycles end with a major *war*, the '30-year' transitional fight out of which the next hegemon emerges. War here is not seen as cataclysm and crisis, but as 'necessary' (functional) for achieving certain historical transformations. Thus a new hegemonic sea power takes over from the former by defeating the continental challenger to that former sea-power.

- Holland emerged from the struggle with the Spanish Habsburg empire (the war here is given only as the 30-years' war fought out on German soil from 1618 to '48, although from the Dutch provinces and Spain it really was between 1568 and 1648);
- Britain emerged from the struggle with France through the revolution and the Napoleonic wars (1792-1815, 23 years) ;
- The United States acquired hegemonic status after World War II, hence after a protracted struggle with Germany that really began in 1914 (31 years).

(Giovanni Arrighi adds a fourth hegemony, Genoa, preceding Holland, and emphasises that all hegemonies end in financial hypertrophy, an overblown financial sphere).

Why then, asks Taylor, is it the hegemon that rises to the hegemonic status, given that this state is only one among the winning coalition? This is, first, because the hegemon is the sea power, and war at sea is less destructive; the navy is used to maintain far-flung economic networks bolstering the economic position of the future hegemon. Secondly, the hegemon-to-be is the economic powerhouse behind the victory, financing or otherwise supporting the others economically.

The important theoretical issue, aside from the actual historical detail (although it is important, it gives us an insight into how the theory is put to work), is the *idealisation of the material system* into an overarching rationality that governs all human and social action. In this respect, World System Theory and Long Cycle Theory are in the same class. By this we mean that the system is defined in material (economic) terms, but somehow acquires a metaphysical status (that is, it rises above history, no longer subject to human intervention). On the one hand, we have materialistic economism (everything seems to arise out of material forces only), and yet at some point, a higher logic seems to be at work, governing the alternations between different phases of cycles that are too long for any living social force to control, but instead control them.

Structural Theory and Its Alternatives

In his book *On Global War*, William R. Thompson argues that global wars, wars that change who leads the global system and entail a significant re-concentration of capabilities in the system, are similar in their importance to critical realignment elections and civil wars in the national context (Thompson, 1988: 6-7).

The approach he follows is the strong systemic one discussed in this chapter, although he emphasises that 'national decision makers have interests that they wish to pursue'. But in doing so, they effectively are 'striving to improve or defend their relative positions within various types of networks' (Ibid.: 13). In other words, whilst action is a self-evident phenomenon, the very notion of a system means that 'structures, order, rules, and some degree of regulative capacity influence foreign policy behaviour'.

In his book Thompson then discusses three structural approaches of which the Long Cycle approach of himself and [George Modelski](#) is one. Wallerstein's is the other, and [Robert Gilpin](#)'s interpretation of Hegemonic Stability the third. This will give us a chance to look at Hegemonic Stability theory from the neo-Realist perspective rather than from the weak systems perspective as in Chapter 6. The general argument is familiar:

Periods of systemic leadership are followed by phases of increased competition that, in turn, devolve into periods of intensive and extensive warfare. War resolves the question of systemic leadership and ushers in a new period of unipolarity and systemic rule creation that once again erodes into multipolarity and, eventually, a renewal of war (Thompson, 1988: 35).

According to Gilpin, disequilibrium in the international system is the result of the fact that economic, military, and technological capabilities grow unevenly. The 'urge to expand', in line with the (neo-) Realist perspective, is seen as 'universal in both time and space', and constitutes 'a basic motor' (Thompson, 1988: 38). In Gilpin's approach, an expanding

state will experience a moment where the cost of further expansion enter a juncture with 'diminishing returns' (note the micro-economic language). Other writers such as [Paul Kennedy](#) have of course also analysed the occurrence of the rise and decline of states in terms of such an 'imperial overstretch'.

Importantly, political costs and benefits and economics costs and benefits are both involved here. The regime ('rules of the system') by which the hegemonic state exerted control thus becomes contested, as aspirant hegemons perceive the weakening of the leader and an unravelling of the stability ensured by the hegemon so far. 'This observation,' Thompson notes, 'reflects Gilpin's argument that power and prestige ultimately depend on the perceptions of other states' (Thompson, 1988: 41). Dominant powers provide order and stability; their decline invites contest and entails war. From Gilpin's reading of modern world history (since 1648), the eventual hegemony of Britain and its free market strategy (with the US taking over in the interwar years) makes the free market and English-speaking political leadership coterminous. Hegemonic stability is assured and 'the provision of public goods... is hardly and act of altruism on the part of the hegemon. In return for the benefits it reaps, the hegemonic leader supplies the economic rules of the game, investment capital, an international currency, and the protection of property rights on a world scale' (Thompson, 1988: 44).

In other words, we have a *regime* which does not impose the same compulsion as does a strong system, but which yet provides a measure of stability as a way of universalising the principles laid down by the strongest state(s).

In contrast, Long Cycle theory is a (strong) systems theory, which is objectivist/structuralist instead of subjectivist/actor-oriented—hence it is not neo-Realist as sometimes claimed (Thompson, 1988: 44). George Modelski, its founder, sees the global political system in fact not as a state-centric order at all. 'The global political system constitutes an exchange structure in which the transactions are focused on the interactions between producers and consumers of the goods and services of global order and justice' (Thompson, 1988: 45; cf. [Modelski, 2005](#)).

This global reach in Long Cycle theory is embodied in *sea power*. Through sea power, states command the principal resource for creating and maintaining global reach capabilities, Thompson writes. This of course makes war (especially its naval component) a key mechanism of changing the leadership order in the system.

In terms of GPE, Modelski argues that the leading state also has the most dynamic economy and hence, an interest in the stability of the world-economy. Its political power and economic power 'both draw on the same population and resource base' (Thompson, 1988: 53). That is why the data of long economic cycles and cycles of political hegemony in the global order are correlated: 'fluctuations in the world economy... parallel fluctuations in the global political system' (Ibid.: 54).

What the hegemonic stability approaches fails to appreciate, is that this is not an eternal recurrence; the structure of the economy changes, and hence the goals of states within the global system also changes. Hence Gilpin, like all (neo-) Realists continues to expect to see 'a hegemonic behaviour that is predicated more on traditional behaviour' than a truly systemic leadership that is responsive (and determined by) the new global system, in which territorial acquisition for instance at some point loses its relevance (Thompson, 1988: 64).

What the World System approach according to Thompson fails to see, is that systemic wars are much more important for an analysis (like Long Cycle theory) which bases itself on an 'open-ended' understanding of the world system, whereas World System Theory derives its analysis from capitalism. Long Cycle theory on the other hand has a number of indicators (capabilities concentration/ de-concentration, high and low points in world order, etc., which allow it to view the occurrence of war in a less functional manner. In a way, Thompson here contrasts the economism of Wallerstein with the more agnostic, empiricist approach of himself and Modelski. In other words, if we want to find the strongest systems theory within this group again, it is World System Theory (cf. [Chase-Dunn, 1999](#)).

Let me conclude this chapter with a note on how the systemic coherence of the global political economy becomes itself contested by a variety of systems theory, complexity theory, a.k.a. 'chaos theory'.

Complexity Theory and Global Turbulence

One aspect of systems theory that has attracted great interest in the recent period is the phase in which a system seems to abandon the predictable, functional pattern of behaviour and begins instead to move erratically. The wild swings, apparently random trajectories, and loss of direction yet have been found to be 'systemic' after all—except that we are looking at a specific condition of a systemic constraint. This variety of systems theory is *complexity* theory, although the phenomena associated with it (rapid, apparently random change, loss of coherence) have made it popular as 'chaos theory.'

Complexity/chaos theory is the theory used to describe the wild swings by which predictable systemic development may suddenly become highly *unstable*. This is then traced to small changes (a butterfly flapping its wings) which via the complex interrelations by which the system hangs together then create momentous upheaval—in the butterfly example, a catastrophic climate event.

It was long assumed that the fact that our ability to predict the weather is limited to around one week, could be overcome by more powerful computers. But complexity theory holds that whilst we may be able to predict which options are possible when we try to predict an entire summer's weather, it is not possible to say which of these options will eventually be the one that becomes reality. The reason for this is that we are looking at a system of such complexity that the totality of interactions generates *systemic unpredictability*. This holds not only for the weather, but also for the climate; scientists today are still not sure whether global warming will result in an overheated planet or in a new ice age, or rather, in which order these changes will occur. If in the mathematical equations on which the prediction of the weather or of evolution are based, one parameter is marginally changed (say, ocean surface temperature), the system may lose its relative regularity and become subject to vast swings

which give it the 'chaotic' characteristics that we are experiencing today – freak weather, floods, storms.

The Greeks already developed the idea that the world originates in *chaos* (disorder), which then becomes subject to *physis* (growth), and out of which evolves *cosmos* (that which exists, 'order'). But as Vroon (1992) explains, there was a dispute among the Greek materialists whether 'matter' behaved in ways that made it predictable. Indeed Democritus (mentioned in our Chapter 1) held that atoms follow straight lines; when they hit each other and bounce, their trajectories can therefore be predicted. Epicurus, an 'atomist' like Democritus, on the other hand maintained that atoms follow erratic trajectories and that prediction of their movements is restricted. It is this latter argument that resonates in complexity theory.

The movement of atoms along erratic trajectories is not the same as complete indeterminacy; in that respect the label chaos theory is misleading. The mathematician, Roger Penrose, speaks of 'weak determinism' – which is relevant to our discussion. As we saw in the last chapter, Regulation and Regime theories are 'weak system theories', that is, the systemic constraints imposed on actors are weak and their latitude of choice remains substantial. This is weak determinism because the role of the system is weak to begin with. World System Theory and Long Cycle theories are strong system theories and their determinism is strong too. Complexity theory, however, is an 'even stronger' systems theory (in the sense that it is far more complex in terms of the number of variables than WST as analysed by Wallerstein); but *its determinism is 'weak' again*. Not because actors retain a measure of freedom but because it assumes several possible trajectories determined by the systemic constraint.

Complexity theory can be written as an inhibited-growth function. A variable r determines the development process in which such inhibitors operate; if r is higher, growth varies more extremely; to the point where the number of possible states increases but also the difference between them (hence, again, 'chaos' theory). For r , we may substitute the amount of energy that enters a system and which increases the number of states it can assume. *These states can each be calculated but it cannot be predicted which*

state will actually obtain. A system as it were becomes 'restless' as more energy enters it (or as energy, the equivalent of r , increases). This is why, as the temperature on earth rises, highly variable weather patterns are the result (the chaos phase, sustained instability), and an ice age as much as endless heat waves may occur. The weak determinism here applies to whether state B or C will follow from state A, not whether actors retain a measure of freedom. What is weakly determined is not that they are not perfectly calculable; it only refers to the uncertainty as to whether they will occur.

Although the weather is based on a fully determined system in which nothing happens that is not part of the totality of determinations, there remains an element of unpredictability because a) the atmosphere is highly sensitive to initial conditions which cannot be established with sufficient precision, and b) even a simple model of the weather with a series of non-linearly coupled differential equations has unpredictable consequences. If a weather system is subject to energy loss (vapour turns into water, water into ice), the system acquires a degree of stability. However, if energy is added, and intense sunlight creates the opposite concatenation of events, increased energy produces wild swings in the movement of air, build-up of clouds based on ice and water, electrical storms break out and instability is the result (Vroon, 1992: 159-60).

In evolutionary biology (where we use r), the application of the idea of small changes in parameters with enormous consequences for the system as a whole, has produced the concept of a *chaotic or instable phase in development*, in which for instance a steady rate of growth of a species is replaced by wild swings in population size as a result of a small change in the reproduction rate. From stable growth, the species then becomes subject to possibilities which can be extreme, ranging from extinction of the species itself by a downward swing (or an extreme upward swing but with food supply constant), epidemics because of extreme population density; to terminal consequences for the system as a whole because a function performed by that species falls away (Vroon, 1992: 160-1). In population growth, a high r may generate wild swings and may paradoxically end with extinction. Humanity today experiences a chaos phase in this sense.

Chaos processes also occur *within* humans and animals; they actually are essential to well-being and health because they make us sensitive to changes. Irregularity in other words is vital to adaptation and survival. The human brain is based on complexity of this type, and can combine and adapt at record speeds and thus allow us to adjust to changing circumstances. The process involved here is *autopoiesis*. This is different from homeostasis. Autopoiesis means that a system organises and transforms inputs into elements it can use to sustain itself; homeostasis means that an organism adapts to its environment by adjusting internal balances. If applied to social systems, the entry into the chaos phase of the system requires the capacity to radically *innovate* in order to escape from the stifling effects of stagnation and passivity in the face of wild swings in environmental conditions (Vroon, 1992: 176).

The importance of complexity theory is to recognise ruptures in the pace of evolutionary change and by inference (i.e., seeing social history as organic development), the ability to understand why history is not a linear process but one characterised by sharp breaks and crises (The idea of a chaos phase in the global political economy in WST is argued in [Rennstich, 2005](#)).

The veteran international systems scholar, [James N. ROSENAU](#) (b. 1924), in his book *Turbulence in World Politics* (1990) and related writings sees the chaos element in the unpredictable effects that are produced in the mental make-up of people as a result of *globalisation* and *localisation*. The erratic development of these two main, interacting forces of our age produce chaotic movement, 'turbulence'. On the one hand, change occurs on the globalisation dimension, as business and political activities develop exponentially on a world scale. On the other, individualisation and cultural re-assertion occur locally, contracting the spaces in which activities transpire. As a result, people are confronted with 'A world in motion, an expanding and contracting blur of changing orientations,



organisations, institutions and patterns that transform the ways in which people conduct their affairs' (Rosenau, 1995: 50).

That we may interpret this as part of a chaos phase, is seen by Rosenau as a consequence of the end of the Cold War; whereas before, forces associated with globalisation developed only slowly and apparently unrelated to processes of individualisation and fragmentation. When these processes did begin to accelerate and entwine, the bloc system imposed a stabilising constraint on them. With the end of the Cold War, however, 'the power created by the joining of globalizing and localizing dynamics, the tensions they foster, and the dialectical process they may generate are greatly enhanced and increasingly manifest... As a coherent process that is continually unfolding with inordinate speed in contradictory directions' (Rosenau, 1995: 53).

The unpredictability identified by Rosenau is then focussed on political responses of people subjected to the impact of the contradictory forces of globalisation and individualisation. These produce different 'priorities attached to self' and different 'priorities attached to most salient collectivity', which Rosenau (as he has always done in his writings) presents in a matrix to demonstrate how combinations between them (high or low priority) can be seen to result in 'citizenship' attitudes that can vary extremely between apathy, self-centred or high altruistic/ideological, or democratic behaviour. 'Most citizens,' he notes, 'at every point on the self-environment continuum are in motion, either searching for a new balance or struggling to reaffirm the old one... The world's publics are restless and ... this micro-restlessness can have discernable macro-consequences' (Rosenau, 1995: 59).

This may illustrate how the strong systems approach, if enlarged with the awareness of structural instability as theorised by chaos theory, yet can give us an insight into the subjective dimension of social action that otherwise would remain encapsulated in the organic self-stabilising growth metaphor of GST.

Applying the Method

The World System approach would require the researcher to take the following steps (this is a free interpretation bringing together elements of WST and Long Cycle Theory):

- Identification of the incidence and boundaries of a system and its position in 'world time' (the time-scale on which all societies exist and which given their mutual exposure through various links, therefore defines the constraints under which the system operates)
- Definition of the 'external area'
- Identification of the nature of the division of labour within the system
- Identification of leading sector (a key theme in Long Cycle theory, in relation to the Long Wave theory (Kondratieff) based on epoch-making innovations, OR to indicate the relative position of a national economy in the division of labour
- Position of the state in either the core, semi-periphery, or periphery
- Identification of the hegemon and its main challenger (sea power versus land power)

By taking complexity/chaos theory into account, a more elaborate and dynamic understanding of ruptures in long trends and cycles might be undertaken through the construction of a systems model. This would involve the elaboration of statistical material about long-term trends and their correlation in order to identify ruptures, moments of greater variance, that can upset the stability of the correlative structure.

8

Historical Materialism and Dialectics

In this chapter we first look at the two philosophical sources, (naturalistic) *materialism* and Hegelian *dialectics*, out of which Marx welded a synthesis, *historical materialism* (cf. section from the [German Ideology](#), 1846). Inspired by the concern of the materialists with real life, Marx applied the progressive achievement of Hegel's 'realm of freedom' to the emancipation of wage labourers, who in the Western Europe of his day lived and worked in the most appalling conditions—as they still do on other continents today. This led him to challenge the liberal idyll of classical political economy (section 2). Finally I look at the concept of socialisation as developed by Marx and by later Marxists and how it was applied to *imperialism*, the aggressive incorporation of distant lands by the developed capitalist states.

1. BUILDING BLOCKS OF HISTORICAL MATERIALISM

Marxism, as has often been noted, is based on a synthetic critique of three intellectual traditions:

- *French materialism*, which in that country (and in Marx's own days, in Germany) had developed as a left political movement attacking religion and the absolute monarchy. Marx was inspired by this movement but also criticised it for not taking into account historical social context and the subjective, creative aspect of human action.

- *German idealism* (more particularly, Hegel's idea of dialectics and objective rationality). This provided Marx with a critical method using the concepts of negativity and alienation (whilst rejecting Hegel's idealist metaphysics);
- *British political economy*, which held that capitalist society is based on the market exchange of equivalent values, ultimately units of labour time. Marx applied Hegel's dialectical method to this to reveal the contradictory nature of value as use value and exchange value, that is at the root of the accumulation of capital.

Let us look at materialism first.

The Limits of Naturalistic Materialism

As we saw in Chapter 1, *materialism* holds that all that we experience emanates from nature. It was conceptualised by the Greeks of antiquity already, but resurfaced at the end of the European Middle Ages when a new natural science (Copernicus, Galileo) led thinkers to revive the idea that everything around us is a product of nature, including our ideas.

The 16th, early 17th-century English materialist, Francis [Bacon](#), still developed a critique of ideology from this premise, but later materialists followed the instruction of the Anglican church that research into nature was permitted as long as God and the church remained untouched. This produced the agnostic empiricism of Locke and others, referred to in Chapter 1; it also allowed Isaac Newton to be a true revolutionary as a scientist, and yet remain a devout Christian too.

In France (and later in Germany, Russia, and elsewhere), materialist thinkers did not obtain such a licence. They faced the solid bloc of an absolute monarchy (with a social basis in a land-owning aristocracy) and an unreconstructed catholic church. Hence materialism developed in the context of overt political opposition to the existing order. Questions concerning the divine right of the monarch, the social role of the priesthood, indeed the existence and life of Jesus (contesting the magical/miraculous

side of it), all were subjected to scrutiny in light of natural science. In the Enlightenment, 18th-century materialists like La Mettrie (who held that [man is a machine](#)), Holbach, and Helvetius, contributed to a mechanical understanding of the universe. They took a dim view of religion, and by implication, of the spiritual side of humanity.

Materialism was not the only strand in Enlightenment thought. Certainly Charles (Baron de) [Montesquieu](#) (1689-1755) conceded that 'man, as a physical being like other bodies is governed by invariable laws'. But he also maintained that 'as an intelligent being, he incessantly transgresses the laws..., and changes those of his own instituting' (quoted in Seidman, 1983: 32). Thus he sought to salvage, if not religion as such, at least the recognition that in the constitution of different (including non-European) societies, religious and other metaphysical spirituality played a major role.

Marx was attracted to the political radicalism of the materialists, who broke with the fatuous speculations of the Hegelians about the World Spirit



and the self-movement of the Idea, and who talked about real people. The favourite of the left students in the Rhineland of those days was [Ludwig FEUERBACH](#) (1804-1872).

Feuerbach came to the fore in the democratic movement in Germany in the 1830s and wrote one of the many materialist critiques of religion in the spirit of Holbach and Voltaire, *The Essence of Christianity* of 1841 (other typical titles were Strauss' *Life of Jesus* or Bruno Bauer's *Critique of the Synoptic Gospels* (Therborn, 1973: 7).

To Feuerbach, thinking is the activity of brain matter, and ideas are best compared to a phenomenon like fire. Just as the colour of flames *reflects* the chemical composition of the material burning, so ideas reflect the condition of man. The belief in God thus can be seen as a reflection of an inner nature, which is the subjective (but natural) essence of humanity (Feuerbach, 1971:

76; cf. his *Lecture on the Essence of Religion*; cf. Althusser on Feuerbach's role in the development of Marxism).

Marx rejects this on two counts (cf. *Theses on Feuerbach*, 1845).

1. People make their own world from nature, but they are not merely acting out a natural programme; how otherwise are they able to look at their own life and society critically? But then, if God is not the inspiring force of thought, who/what is?
2. The second criticism was that there is no essential 'man', only people living in historically concrete societies. Society changes, and in religious matters, it will bring forth projections about divinity and salvation that are peculiar to that particular type of society.

The second proposition leads straight to what was to become *historical materialism* (in contrast to naturalistic, bourgeois materialism): people create their own world out of nature, but the different forms of society that result, then constitute *a second nature* further shaping their thoughts and actions. Indeed in the words of Anton Pannekoek, 'the fundamental tenet of materialism that the spiritual is determined by the material world, means something completely different in the two doctrines'.

To bourgeois materialism it means that ideas are the product of the brain, to be explained from the structure and the transformations of brain matter, and hence, ultimately, from the dynamics of the atoms in the brain. To historical materialism, it means that the ideas of man are determined by social circumstances; society is the environment which through his senses impresses itself on him (Pannekoek, [1938]: 25).

In the 1840s, the question of how thought develops in relation to the material world, allowing the mental realm to be constituted relatively independently, could no longer be answered in the spirit of Montesquieu, as a matter of 'on the one hand...on the other'. The German idealist philosophers had developed this aspect to the point where a more conclusive solution had come within reach, dialectics. This is the second constitutive aspect of historical materialism.

From Kant's Antinomies to Hegel's Dialectics

To understand the dialectical component in historical materialism, we must briefly go back to Kant's subjective idealism and to Hegel's critique of Kant. In Kant's thinking, rationality ('reason') is a quality of the subject; the human mind is endowed by nature with the inborn 'categories', time, space, causation. The real world, however, is ultimately unknowable, so human reason is primarily approached in epistemological terms.

The categories only allow judgement of empirical phenomena; once Reason probes beyond the sphere of the phenomenal, the rational categories become entangled in contradiction, 'antinomies' (Kant, 1975: 463ff). Whether man is free or determined, whether the world has a beginning and an end, or is infinite, are such antinomies, logical contradictions that cannot be solved, Kant demonstrated in the *Critique of Pure Reason* of 1781 (making the case for each position on opposite pages). Human rationality in other words falls short of being able to grasp the essence of things in a non-contradictory way (Ibid.: 84).

G.W.F. HEGEL (1770-1831) lived through the period of optimistic expectation that was the Enlightenment, as had Kant (1724-1804). But he also witnessed the rise and fall of Napoleon and the restoration that brought back the Bourbon monarchy. Notwithstanding these huge swings of the political pendulum, it seemed as if the direction of social change remained broadly on the same track. Whether the bourgeoisie ruled politically, as in the French Revolution of 1789 and again after 1830, or was excluded from politics, as in the continental monarchies including Hegel's own Prussia; it appeared that everywhere, social development was going into the same direction. Whatever the *intentions* of the social forces in power, there was in other words an *unintentional* process of social change that developed at the same time, apparently on its own



account.

This led Hegel to postulate an *inherently rational world* that develops according to a logic of its own. 'Reason' is therefore *objective*, although it is the human quest for freedom which brings it to light and incorporates it into its (historical) civilisation. So both ontology (the world is inherently rational) and epistemology (objective rationality becomes evident in the historical process of humanity seeking to master it) are equally involved. Epistemology in other words is the mechanism through which the inherent rationality of the world is revealed and actualised (*dialectics*).

All this had to be constructed 'abstractly', as speculative thought, because in the Prussia of Hegel's days, the social changes of which the bourgeoisie was the protagonist (as in Britain), were not apparent; what reached Berlin were effects and echoes (often transmitted by the legal-administrative reforms of the Napoleonic era). Hence, as Gramsci put it, 'What is practice for the fundamental class becomes "rationality" and speculation for its intellectuals' (Gramsci, 1971: 115-6; cf. Marcuse's *Reason and Revolution*). One result of this is that Hegel still today is considered a sort of crank in the Anglophone world (cf. the particularly brutal chapter in Russell, 1961). Yet his mode of thinking (no doubt difficult and phrased in often obscure, mystical language) articulated the idea that a pervasive, spiritual force (progressive liberalism) expresses itself in opposites: separate statehood, nationalist mobilisation, class conflict, and war. The sphere of clashing wills, intentions on the one hand, and the involuntary process of historical change on the other, are related, but *dialectically* so.

Let us concentrate on how this dialectical understanding that a single historical force develops through conflicting, mutually opposite instances, solved the problem raised by Kant that the mind (subjective rationality) runs into contradiction when it tries to answer questions about the essence of the world (our column 4).

First, Hegel claims, contradiction is not a borderland of thought where we should not venture; it *is* the essence of being. 'All things are in themselves contradictory,' he writes in the *Science of Logic* (I quote from the excerpts in Lenin, 1973: 128-9, emphasis added). If thinking, in trying to reach the

essence of being, runs into contradiction, this is because *contradiction is the essence of things*.

Compared to it, *identity* is merely the determination of the simply immediate, the dead being; [*contradiction*] however is the source of all movement and liveliness; only insofar as something contains a contradiction within itself, it moves, has drive and activity.

Secondly, there cannot be limitations to the grasp of the mind, because 'mind' is the rationality of everything that exists. It is the Idea that acts through, and is realised in, the restless pursuit of knowledge by historical mankind. The thinking part of the world, here has been amplified to encompass everything in existence ('World Spirit'); for if something is to be part of rationality, it must be capable of being thought. Since everything is in principle knowable, the world is objectively rational. 'What is rational, is real, and what is real, is rational' (Hegel, 1972: 11). That which lies at the other end of what is perceived by the senses (the thing-in-itself', Kant's *Ding an sich*) according to Hegel is also a product of thought – what else could it be? 'These very things, which are supposed to stand on the other extreme beyond our thought, are themselves things of the mind... the so-called thing-in-itself is only a mental figment of empty abstraction' (Hegel in Lenin, 1973: 83).

So what we call 'objective', is subjective first, because *we* apply the label. There is no reality which is not primarily part of the collective mind-set which humanity *develops* and which, as Hegel claims, goes back to a primordial, inherent rationality. Consciousness 'progresses from the first unmediated confrontation between itself and the object, to absolute knowledge,' he writes (Lenin's excerpt, 1973: 88). Ultimately, *the object is absorbed entirely within the (collective) subject* – it has no *meaningful* existence outside of it, outside humanity-in-the-world (McCarney, 2000: 27; Kojève, 1968: 307).

Kant's fault, Hegel writes, is to juxtapose the subjective (mind) and the objective (world; cf. [lecture on Kant](#)). But the Kantian categories (time, space etc.) which represent what is general and necessary, are not just subjective, they are also *objective*; their existence is not confined to judgement (Hegel, 1923: 68). When people think, they partake in a world-historical process of

thought, which itself must be seen objectively, as a World Spirit, the rationality of it all – God.

Here Hegel takes up the heritage of Spinoza (cf. Figure 1.3), who spoke of ‘God or nature’. But he gives it a historical twist by introducing the element of *development*. Hegel sees the totality of divine spirit and material reality (nature) not as a given, but as a *contradictory process*. Humanity, confronted initially with a world which it does not understand, gradually masters that world in thought by its restless quest for meaningful freedom. Eventually it achieves *rational freedom*, it wants only those things that are possible – when the laws of the ideal state (Prussia!) coincide with the laws of objective rationality. ‘God’ in fact is a phase in this process, not a supernatural being himself (McCarney, 2000: 45); Hegel rejects Schleiermacher’s idea of inner religiosity as ‘true’ (Kojève, 1968: 259).

In our figure, the step from subjective rationality to objective rationality may be depicted as follows: the human spirit is an active part of the World Spirit; subjectivity is meaningful in that it provides the energy (‘desire’, ‘passion’) to overcome the contradictions between the inherent order of things and what humanity has understood as rational. Hence we may also say that the World Spirit, the Idea (Reason) works through humanity *to realise itself* in actuality. The intellectual activity of the (collective) subject is a mediating instance, adding a temporal dimension – it takes *time* before the ‘dialogue’ between humanity and the world in which it finds itself, results in the manifest identity of reality and rationality.

Dialectics, according to Hegel, is a historical process of mastering the inherent order of the world (rather than a static epistemology). It involves the following ‘moments’:

- Abstract thought (establishing facts and straightforward empirical connections)
- Scepticism, in which thought rises above itself through *negation* (which is how thought affirms its autonomy from the appearances confronting it, McCarney, 2000: 85-6). Thus it is enabled to go beyond

the obvious, the 'empirical', and establish what is inherently necessary and integral in what we encounter.

- Speculative, positive-rational thought in which we reach the higher plane of complex understanding.

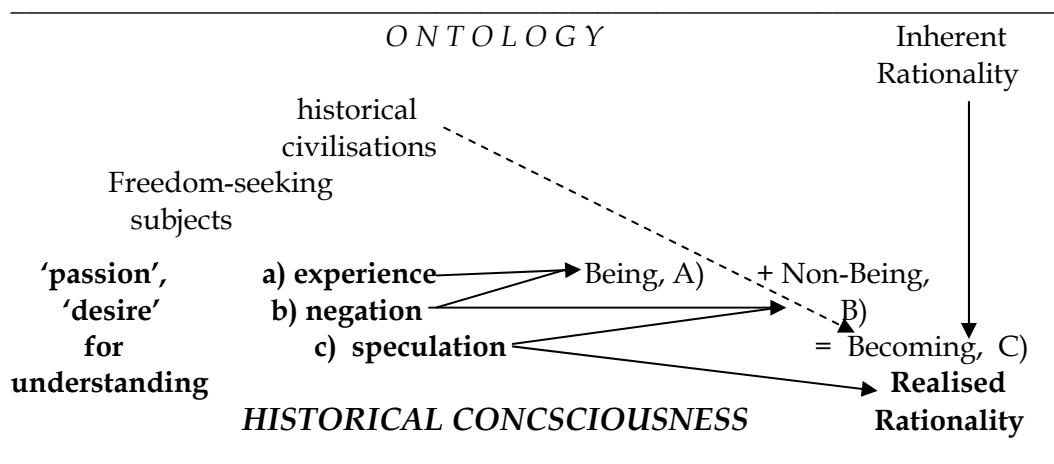
Note that 'speculative' thought, thought going beyond what is evident, is here seen as the highest form of thinking; whereas in the empirical tradition, it is a ground for disqualification.

The above triad has been popularised as the three steps of *thesis – antithesis – synthesis*, in which the synthesis is again a new thesis, and so on. Importantly, this differs from positivist 'testing' in that the 'negative' (anti-thesis) *also contributes 'positively' to evolving truth*. As Hegel puts it,

the dialectic has a positive result because it has a *determined* content, or because its result is really not the empty, abstract nothing, but the negation of *definite determinations*... The rational, although it is something in thought and [hence] abstract, is therefore simultaneously *concrete*, because it is not a simple, formal unity [of ideas], but the unity of different determinations (Hegel, 1923: 106, emphasis added).

In Figure 8.1, the ontological development trajectory has been pictured as an aspect of 'historical consciousness' (as noted, preferable in this tradition to 'epistemology'; the driving force, rational thought, is given in bold).

Figure 8.1. Hegel's Dialectics: Ontology and Historical Consciousness



So the ‘march of history’ is in fact an intellectual trajectory, of which civilisations, or in modern terms, ‘state/society complexes’ (Cox, 1981, because having a state and how it relates to its society is crucial for Hegel) are the collective subjects. Marx combined some of the key insights in this imposing edifice, notably the idea that we experience change through contradiction, with his materialist starting points—people create their own mental *and* material world. Thus he arrives at the idea of history as the history of class struggles.

2. MARX’S TRANSFORMATION OF DIALECTICS

Hegel’s system ends with closure—the real, which *is* the rational all along, has been realised as such. Many have been eager to proclaim the ‘end of history’, most recently, Fukuyama after the collapse of state socialism—but Alfred Weber proclaimed it when Nazi Germany collapsed, and of course, Hegel himself did so when he witnessed Prussia’s defeat at the hands of Napoleon, at Jena in 1806.

For [Marx](#), history is an open-ended process, and rationality is itself historical, a product of the changes in and of society. The dialectic is no longer a universal principle of movement of all that exists, but contained within the historical process. Contradiction for Marx was not to be found in the thought process itself. It resides in the tensions between humanity as a part of nature and as a historical force; between the ruling classes and ideas, and those arising from other sources in society; in the various aspects of exploitation (of nature, in social relations) and domination.

Productive Forces and Relations of Production

Marx was among the many young intellectuals who were in opposition to the authoritarian Prussian monarchy in the post-Napoleonic restoration period. Socially, Prussia in the 1840s was being transformed by incipient capitalist relations; notably the western, Rhineland provinces of the kingdom. There Marx witnessed what we today would call, processes of *privatisation* (his first piece was on the fact that the ancient habit of villagers to gather wood, was declared theft because forests were being parcelled out as private property, [wood theft article](#), 1842).

This gave rise to the idea that whilst people exploit nature to create their own conditions of existence, this process is always contained in a *historically specific* pattern of social production relations including a particular mental world, in which different classes confront each other. The social labour process according to Marx is

a process between man (*Mensch*) and nature, a process in which man mediates, regulates and controls his metabolism with nature by his own action. He confronts the substance of nature (*Naturstoff*) as one of its own forces, setting in motion arms and legs, head and hands, the natural forces of his body, in order to appropriate what nature yields in a form useful for his own life. Whilst influencing and changing external nature in this movement, he simultaneously changes his own (*MEW*, 23: 192).

The exploitation of nature, including humans' inner nature (their mental world), yields what are termed the *productive forces*. It is important to see that this is not a matter of raw materials only; the human material actually comes first. A particular level of control of the original forces of nature (including control of the human instincts, random violence etc.) combines with certain social relations, which Marx defines as the *relations of production* (in the early works he speaks of the form of social intercourse, '*Verkehrsform*' which is more attractive because it is less 'economistic'). The combination is captured by the notion of a *mode of production*.

'The original unity between a particular form of community (clan) and the corresponding property in nature', Marx writes,

has its living reality in a specific *mode of production* itself, a mode which appears both as a relation between the individuals, and as their specific active relation to inorganic nature, a specific mode of working (which is always family labour, often communal labour)... *The community itself appears as the first great force of production* (Marx, 1973: 495, emphasis added).

A real society will always present a confusing picture of groups and communities with their particular bonding mechanisms and ideological expressions. The concept of mode of production makes it possible to detect, within this complex array, a particular axis of exploitation, and a particular class antagonism – master/slave, lord/peasant, capitalist/wage labourer. A concrete society combines the classes belonging to one mode of production

with others; *class* in that sense is an abstract concept, not a surface phenomenon as are work, residence and gender patterns, church membership, etc. which under normal circumstances primarily define identities.

The core class struggle is not so much the 'internal' antagonism of each mode of production either, although a mode of production is about exploitation (of nature and of people). What 'class struggle' as a historical principle refers to, is this exploitation in combination with

- raising the level of development of the productive forces to the point where they turn into an obstacle to their further development;
- the emergence of new social forces associated with a possible new mode of production.

Once social development enters into this conjuncture, the entire political-ideological constellation becomes unstable, because in addition to the 'internal' class struggles (lord/peasant, capital/labour...), a historic conflict between the forces associated with the existing order and forces responding to the need to move beyond the existing political-juridical order, erupts. This is the Marxian concept of *revolution*.

In Marx's thinking, the principle of contradiction is clearly very much alive. But unlike in Hegel, it is *not a principle of nature* itself. Engels sometimes played with this idea, giving examples from mathematics and positive/negative in electricity. There are enough parallels that make it very tempting to think that Hegel indeed had discovered a universal principle of movement. So in the Big Bang theory of the origins of the universe, the argument is that in the explosion of primeval energy, matter and anti-matter formed at the same time, but matter had a slight edge (101/100) so that the universe keeps expanding as matter rather than anti-matter, etc., etc. But dialectics for Marx is not a law of nature—here some of the most prominent Marxists misread his legacy, including Engels when he began to popularise Marx's thinking, and certainly Lenin.

Van Erp distinguishes *three meanings of dialectics* in Marx.

- First, when used in the way of *the dialectic between productive forces and relations of production*, or between basis and superstructure, it applies to a specific relation-in-movement. This is the ontological aspect, which however is confined to *historical change through class struggle*.
- Secondly, there is the dialectical structure of a work like *Capital*: an abstract element, the commodity, is taken as the starting point of the analysis, its inner contradiction is established, money is then introduced in its role as the general equivalent and exchange, money becomes capital, and so on, building towards an ever-more concrete understanding (moving *from the abstract to the concrete*) by bringing in ever further complications and real additions. This is the aspect of developing consciousness, which includes epistemology (I come back to this in the final section on Applying the Method).
- Thirdly, dialectics for Marx is always *limited*. By the necessity to link the concept of reality to the image of the concrete; and by the recognition that *concept and reality are distinct* (van Erp, 1982: 169).

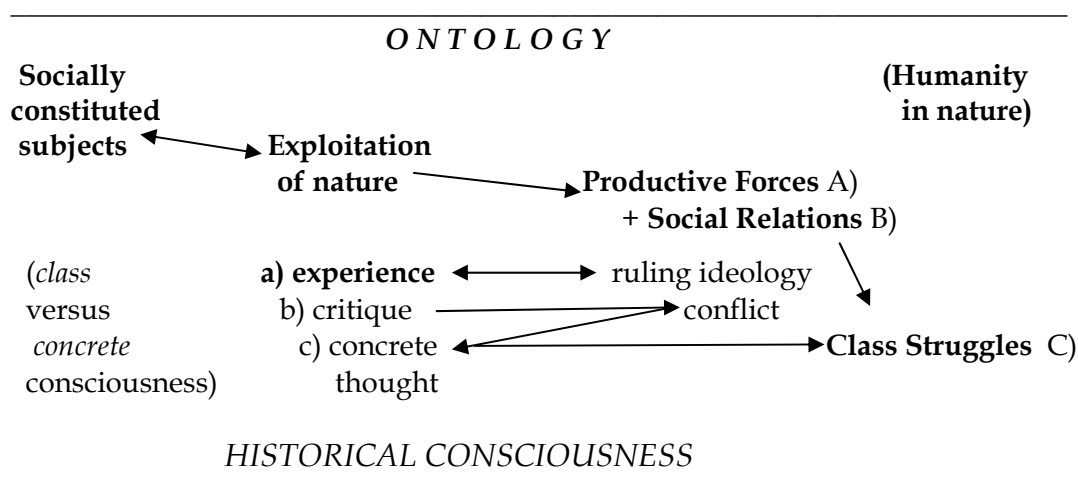
Van Erp's claim is that with Marx, dialectics is *negative-critical*, whereas in materialist-economistic Marxism (cf. section 3), it is positive-metaphysical, a dialectical materialist *philosophy of history* (van Erp, 1982: 80-1; Knafo, 2002). Colletti in *Marxism and Hegel* even argues that Marx is closer to Kant than to Hegel, because Kant assumes that there is a reality beyond what is rational, a reality which is not necessarily rational. Kant 'maintains the distinction between real conditions and logical conditions; so that, having recognised that thought is a totality, he considers it (precisely because the totality is only of thought) to be only one element or one part of the process of reality' (Colletti, 1973: 118).

But to suggest Marx went back to Kant, is to overlook the crucial transformation of thought achieved by Hegel, who *historicized* philosophy, whereas Kant still proceeds from the individual, knowing subject. Marx too applies a *historical rationality*; his dialectics is a method that emerged in the

bourgeois era and the unfolding of its specific external and internal contradictions, and can be used to criticise ideological self-representations of that era, in which we still live and *from which* we also survey other epochs.

In figure 8.2. below, I have tried to capture, staying as close as possible to the elements of figure 8.1. (and using the format of the original Figure 1.2), where Marx's historical dialectics differs from Hegel's. The important thing to retain is, a) there is no final conflation between ontology and consciousness, and b) there is no closure, 'end of history'. The essence of society is that it is historical, and 'all history is the history of class struggle', anchored in the exploitation of nature; history is open-ended, the tension with nature cannot be overcome. The driving force (centred on the exploitation of nature, and including experience) is in bold.

Figure 8.2. Marx's Transformation of Dialectics in Historical Materialism



The Critique of Political Economy

We can now understand why Marx does not attempt to confront the bourgeois interpretation of economics with a 'correct' economics of his own. He rather seeks to discover the conditions for emancipation of those held captive materially and ideologically by the prevailing power/productive

relations, and to discover where the inner contradictions of the present point to a different society maturing in the context of the present.

This prompted him at some point to devote himself entirely to the critique of classical political economy (Smith, Ricardo) because these theories maintained that ultimately, liberalism holds the promise of a harmonious society.

Adam Smith still claimed that the market works as an equilibrating mechanism synthesising the individual pursuit of gain into collective well-being. He wrote against the background of the early stage of manufacturing, the economy of small establishments trading with each other as market parties. The *division* of labour (with its implication of an organic unity and a logical place for market equilibrium), not the *exploitation* of labour, with its implications of disequilibrium and inequality, was what concerned him. Yet Smith is already aware, Marx observed,

that the really big advance in the productive force of labour begins only when it has been transformed into wage labour and the conditions of labour confront it as landed property on the one hand and capital on the other. The development of the productive force of labour therefore begins only under conditions in which the worker himself can no longer appropriate the results of it (*MEW*, 26.1: 41).

Ricardo grasped what had changed since Smith, but still maintained (as in his theory of *comparative advantage* in foreign trade) that the market is the final arbiter of a society's or an individual's chances, thus naturalising the capitalist economy.

Marx's analysis of the capitalist mode of production on the other hand applies dialectics to it to explain its pattern of development and moments of transformation. Engels (who was entrusted with running a factory in England owned by his family), was in a position to tell him a few things what the development of the productive force of labour meant for the actual workers, who by then were beginning to resist the ruthless exploitation of men, women and children on which capital preyed.

The critique begins with distinguishing two aspects of every good in the market—its *use value* (the practical use to which something can be put—

sitting on a chair, eating pork) and its *exchange* value, determined by labour time. To try and calculate values (today, in which simple labour hardly matters any more, so how to calculate the value of the work performed by a trained engineer) is to mistake this abstract concept for an empirical one. What is empirical are prices, not values.

The key to Marx's insight into capital is not the labour theory of value (which was the standard fare of classical political economy), but the contradiction hidden in the commodity form. However, here a Hegelian understanding of dialectics misreads the meaning of that analysis. Most studies on Marx's method by Second or Third International or Trotskyite Marxists have suffered from this misreading. Lenin, Soviet author Wygodski (1970), or from Czechoslovakia, Zelený (1972), in this respect make the same mistake as the Trotskyite [Roman Rosdolsky](#). All of them see the commodity as a cell form containing the entire future development of capitalism in its DNA, as an inherent rationality realized in historical development (cf. figure 8.1). Thus Rosdolsky quotes Lenin that the commodity contains *all* the contradictions of that society, 'from its beginnings to its end' (Rosdolsky, 1974, 1: 165, cf. Lenin, 1973: 340).

However, as Ritsert has argued, the method of historical materialism is much more open. In addition to a *logical-analytical* procedure dissecting the commodity into two contradictory aspects (use value and exchange value), which can be seen to determine more complex arrangements, there is also a *historical* line of argument centring on the expropriation of direct producers. This is a precondition of the universal commodity economy, but not itself an aspect of the commodity's dual nature.

Finally, the development of money out of the commodity can certainly be argued from the exchange value aspect of the commodity, but its real development into capital can only be understood in combination with expropriation and hence, relies on an empirical-historical dimension of social development that is not in any way pre-programmed. So if there is a 'logic of development' that begins with the commodity, it is one in which it is itself transformed and turned into qualitatively different entities (e.g., commodity-money-capital). These cannot be reduced to the first element in the succession, but add new qualities with each step (Ritsert, 1973: 14-7).

In this sense we may read Marx's analysis in *Capital* as follows.

a) every commodity has a *use value* (the substantive, material component of a good or service); and an *exchange value*, the good/service as measured in labour time.

b) Labour power in a capitalist economy is a commodity with these two components, too. Exchange value is remunerated on the basis of equal exchange, as wages, in conformity with the law of value. Its use value (the capacity to work, to produce new wealth) is appropriated in the actual labour process by the capitalist entrepreneur without being remunerated as such. Thus the capitalist obtains an increment (*surplus value*) that will eventually appear, after sales, as *profit*. In this way Marx shows that while on the surface, the exchange of equivalents is a convincing claim of the classical political economists (otherwise people would not in the long run exchange); it yet can be accompanied by its negation, which is that on a crucial dimension, that of wage labour, the particular use value of labour power enables an *unequal* exchange at the same time. This contradiction is at the source of struggles within the production process, struggles over the introduction of productivity-raising machinery and work organisation, and so on.

c) The world that capital is intent on exploiting, is not capitalist, but also pre-capitalist—at the end of vol. I of *Capital*, Marx reminds the reader that capitalist accumulation is always premised on the violent separation of people from their independent livelihood ('original *expropriation*' rather than 'original accumulation', as the classics called the initial collection of a starting capital). Colonialism, enclosures (the English model for the privatisation of common lands as with the Rhineland forests), war, colonial plunder, all contribute to this expropriation which 'liberates' labour for exploitation via a labour market.

d) The capitalist economy also consists of several *sectors* ('Departments'). They produce inputs for themselves and for each other (machinery, wage goods, luxury goods). Their different relations to the workers—only a cost factor for equipment and luxury producers, but for wage goods producers,

a market as well. So the capitalists are differentially related to labour, as producers of these different categories of goods. But there are also different types of capitalists across the cycle of capital (Money-Commodities-[Production]-Commodities-Money): money capitalists, commercial capitalists, and productive capitalists. In vol. II of *Capital* the problems associated with the mediation between these different categories (or *fractions*) of capital are addressed. Here, not the contradictory nature of capitalist development, but its 'systemic' aspect is analysed (note the affinity with the problematic of the Regulation school).

e) In Vol. III, finally, the analysis reaches the surface level of capitalist society, including for instance land ownership and its share in distributed profit. Profit is distributed by the price system over the various sectors of the economy, because otherwise only actual productive capital could profit. The rate of profit will be equalised; nobody will invest in a branch that yields less than the average rate of profit. Ultimately it rests on exploitation of living labour power, so to compete is to raise the rate of exploitation more than competitors can. But the tendency to get away from reliance on labour and replace workers by machinery, which is a key strategy here, undermines this (sole) source of profit. Hence there has to be a constant mobilisation of opportunities *to counteract the tendency of the rate of profit to fall*—by finding new ways of exploiting living labour power, incorporating new territories etc. This is the logic of expansion inherent in the contradictory nature of capital as a discipline over society. The contradiction itself in its fullest expression is the one between *socialised labour* (the use value aspect of labour power, its capacity to collaborate and mobilise science, eventually on a global scale), and forms of *private property* that go back to the era of the countryside watermill.

3. DIALECTICAL TRANSITIONS—SOCIALISATION AND IMPERIALISM

When human communities exploit nature, they *socialise* nature—turning its elements into components of a particular social order. All this is done involuntarily as far as the social results are concerned—this is captured by the Hegelian notion of *alienation* (*Entfremdung*), to exteriorise and in the process, lose mental and practical control of one's own creation.

There is a line of development of Marx's thinking which remained undeveloped, i.e., how do relations *between* communities play out in the contradictory relationship with the development of the productive forces; I have elsewhere attempted to fill in this gap by seeing *foreign relations* as a specific form of alienation, and international relations as a historical stage of organising foreign relations (see my 2007). Here I concentrate on the aspect of socialisation as a moment of transformation of capitalist society.

Socialisation of Labour and Socialism

Hegel already captured the aspect of socialisation, because in his lifetime, the signs that all of society somehow hangs together even though it seems as if individualisation and competition spread, became apparent.

Marx characterises this contradiction as 'the connection of the individual with all, but at the same time the independence of this connection from the individual' (everybody has become interchangeable, say, as long as you can handle MS Word). This has developed to such a high level that 'the formation of the world market already at the same time contains the conditions for going beyond it' (Marx, 1973: 161). So the cutting off of people from their natural social bonds, turning them and their abilities and possessions into commodities (the process of *commodification*) and their immersion into money and exchange relations, divides people. At the same time, it reunites them—but that aspect is subject to alienation. Being wealthy or poor is understood as an attribute of one's own individuality, not the result of a collective process that somehow pumps wealth into some pockets and out of others.

Socialisation of labour, then, refers to interdependence and substitutability, that is, everybody is dependent on everybody else, but it 'can be anybody' (cf. [Himmelweit](#) & Mohun, 1977). That is why we tend to think, it is everybody in his/her own. If people would be fully conscious that all we can achieve and have achieved, is based on the collective aspect, and that private appropriation/property is only a historical form, a pattern of relations of production imposed on it, we would live in a different order.

However, note that Marx says only, 'contains the conditions for'. There is no 'promise' of socialism or something because in the end, that too is decided in class struggles. In his *Socialism, Utopian and Scientific*, Engels identified the tension between socialised production and private appropriation as the key contradiction of capitalism (Brick, 2006: 38). It was on this fracture that capitalism would be transformed to a new form of society, by bringing out the full potential of socialised production.

In *Capital* Marx already indicated that capitalist development itself creates the foundations for this transition in the form of the joint-stock company. Such companies work to separate ownership from day-to-day management; money capital becomes directly social, it is concentrated as a single mass in the banks and distributed by them over the different branches of production. In the *Grundrisse*, the sketches for *Capital*, he wrote that technical progress in its own way assists in bringing about the complete socialisation of labour. As industry develops with more and more machinery, labour in the old sense becomes less important.

The human being comes to relate more as watchman and regulator to the production process itself... It is neither the direct human labour he himself performs, nor the time during which he works, but rather the appropriation of his own general productive power, his understanding of nature and his mastery over it by virtue of his presence as a social body ... which appears as the great foundation-stone of production and wealth (quoted in Brick 2006: 39).

This particular configuration then works to make actual control of this process by rentiers and capital markets positively absurd. Not only that: whilst the workers tend to organise themselves (or rather, become organised by management) in self-sustaining productive units, 'the collective worker', who function(s) without a need for other than technical guidance; finance associated with global capital markets descends into ever-more intricate webs of speculation and swindle. This reaches the point, Marx writes in an already cited, remarkable anticipation of the Keynesian argument (*MEW*, 25: 485-6; [chapter in M-E Archive](#)), where the state must intervene and suppress autonomous finance for the sake of keeping actual production going.

The Slide Back to Materialism and Economism

As indicated briefly in Chapter 1, Marxism was embraced by the labour movements of Germany, Austria-Hungary and Russia in an *economistic* version, that is, as a *theory of economic causation with a metaphysics promising the advent of socialism*. The fact that late industrialisation tends to elevate the state to the role of the architect of social development, substituting for autonomous social forces, tended to orient the labour movement towards the state, for parliamentary representation, social security, etc. Hence 'state socialism' was not an aberration, but a necessary form of late industrialising society. But why was Marx's critique of Feuerbach's materialism ignored and his transformation of Hegelian dialectics frozen into a philosophy of history promising the coming of socialism?

In the social and political conditions prevailing in the late-industrialising countries, the model of the French engineer-state popularised first by Saint-Simon, placed the initiative in social development in hands other than the working class movement, or even the liberal bourgeoisie. In Germany after unification in 1870, the state acted as the guiding force, the modern classes (bourgeoisie and workers) 'dangled at the tail of this development, instead of driving it forward' (Kuczynski, 1949: 137). The resulting fixation on the state remained characteristic of the German labour movement from Lassalle, the liberal lawyer, to the later Social Democratic Party, as testified in Marx's *Critique of the Gotha Programme*. But the state also froze the entire social constellation in a reactionary configuration because these modernising classes were neutralised. Hence the mind-set of naturalistic materialism (anti-religious, anti-absolutist, highly optimistic about the socio-political implications of technological progress) found itself in its most congenial context.

Marxism in the circumstances came to be (mis-)read as a doctrine of economic causality, a natural history of society. In Russia, Gramsci noted in an article of 1917, 'Marx's *Capital* was more the book of the bourgeoisie than of the proletariat. It stood as the critical demonstration of how events should follow a predetermined course: how in Russia a bourgeoisie had to develop, and a capitalist era had to open, with the setting-up of a Western-type of civilization, before the proletariat could even think in terms of its own revolt, its own class demands, its own revolution' (Gramsci, 1977: 34).

After Marx's death in 1883, the requirements of the socialist parties began to percolate through the international debates in which [Friedrich ENGELS](#) (1820-1895) for obvious reasons became the pivotal figure.



It fell on Engels to explain Marx's often difficult and certainly incomplete, intellectual legacy to a new generation of labour leaders. The workers' parties and trade unions faced the task of developing a trained cadre who could handle the day-to-day problems of the industrial workers as well as place their struggles in historical perspective, and they turned to Engels for guidance.

Against the backdrop of a veritable 'second industrial revolution' in Germany, interacting with spectacular advances in natural science, Engels highlighted the materialist side of Marx relative to the historicist aspect. In his notes and editorial approach to the later volumes of *Capital* he saw to press, or in the *Anti-Dühring* (a popularised, didactic polemic intended to provide an overview of historical materialism), Engels emphasised the material aspect, and economic determinism was a logical corollary of this. The labour leaders, involved in the same social development but also keen on simplification and concerned to offer the workers a doctrine close to their direct experiences, in their correspondence with Engels encouraged this naturalistic-materialist tendency.

Of course, elaborating either materialism or idealism into theoretical systems was always the work of intellectuals. But as Gramsci notes (1971: 389), while idealist tendencies in Marxism (e.g., the Austro-Marxist school, but also [G. Lukács](#) in Hungary) were the work mainly of 'pure' intellectuals, materialism has been strongest among intellectuals 'more markedly dedicated to practical activity and therefore more closely linked ... to the great popular masses.'

Mehring and Kautsky in Germany, Plekhanov (*cf. Archive*) in Russia, and Labriola (*Archive*) in Italy, all corresponded with Engels (Anderson, 1978: 16), and his letters in the 1890s (more particularly those to Bloch, Schmidt and Borgius) indeed contain such famous statements as those on 'economic causation in the final instance' later elaborated by Louis Althusser.

Thus, pressed on the one hand by leaders concerned with practical organisational tasks, and in the setting of an industrial revolution deeply affecting a hitherto landed society, Engels in his concern to codify a critical theory into doctrine tended to present a materialism more positive, objective, and obeying a compulsive logic, than anything Marx (and he himself in an earlier phase) had ever contemplated. However, as Shlomo Avineri argues (1968: 144), 'considering only the objective side of historical development and not its subjective elements, is open to all of Marx's criticism in his *Theses on Feuerbach* ... Such a view ultimately sees in man and in human will only an object of external circumstances and, *mutatis mutandis*, of political manipulation.'

For Labriola, this verdict is not entirely justified because he emphasises historical consciousness and action (Gramsci, who borrows the term 'philosophy of praxis' from him as a designation for Marxism, contrasts him in this respect with Plekhanov, *cf.* Gramsci, 1971: 386-7; Nemeth, 1980: 26-7). But Kautsky's influence on German and European Marxism (he was the editor of Marx's *Theories of Surplus Value* and the author of a series of authoritative works, e.g. on agriculture), is plainly in the naturalistic-materialist tradition. Even before he shifted to a centrist political stand around 1910, Kautsky's thinking assumed an automatic process of (economic) transformation, in which the party was admonished to wait for events to come about (G. Fülberth in Kautsky, 1972: xix). Kautsky actually rejects Bernstein's claim that there is a contradiction between Engels' later letters and the main body of Marxism. As evidence he (Kautsky) refers to the revised, 1894 edition of ...the *Anti-Dühring*. There Engels says that the root causes of all social changes and political transformations are to be found not in ideas or philosophy, but in the economy (Kautsky, 1974: 535-6; *cf.* on the *materialist conception of history*, 1903, in *Kautsky Archive*).

This line of argument was also followed by the Marxist labour movement in Russia. Plekhanov's *Fundamental Problems of Marxism* of 1908 (which incidentally was inspired by Labriola but also includes a critique of the latter's 'idealist distortions') built straight on Feuerbach. Plekhanov claims that Marx and Engels 'completed' Feuerbach's materialism (Plekhanov, 1969: 31; cf. Gramsci's judgement of Plekhanov as a 'vulgar materialist', 1971: 387).

Lenin's *Materialism and Empirio-Criticism*, written also in 1908, places Plekhanov, Engels, Feuerbach and Joseph Dietzgen in a single tradition (*Coll. Works*, 14: 27). Although Lenin after the shock of August 1914 turned to the study of Hegel that led to the 'Philosophical Notebooks' and inspired works like his *Imperialism...*, and all subsequent writings (cf. Löwy, 1981: 72), the 1908 tract became the foundation Soviet Marxist orthodoxy under Stalin. Actually it was only the translation and propagation abroad of *Materialism and Empirio-Criticism* in 1927 that prompted Pannekoek to write his critique, *Lenin as a Philosopher*.

In this booklet, Pannekoek demonstrates that Lenin, in his angry polemic against the founders and followers of neo-positivism (Mach and others, cf. our Chapter 3), did not so much defend Marxism, but the materialism of Feuerbach (Pannekoek, [1938]: 8, 65). As a trained physicist and professor of astronomy, Pannekoek easily demonstrates that Lenin in his argument with the new natural scientists strays far beyond his competence, confusing key concepts such as matter, energy, nature, and so on. One might indeed say that the pre-World War I generation of labour leaders who rose to prominence as Marxism spread further to the east (for all their differences, Lenin, Hilferding, Luxemburg, Trotsky (cf. *Archive*), Preobrazhensky, and Bukharin—see Anderson, 1968: 17) were all influenced by modern industrial society and the new natural science that accompanied it. As a consequence they entrenched in a materialism (and a corollary positivistic scientism) which turns Marxism into a footnote to bourgeois economics.

This has remained the dominant tendency in Soviet and Western Marxism. Ernest Mandel in Belgium, considered by many the paramount representative of contemporary Marxism during his lifetime, most obviously pursued this line of analysis (cf. Mandel, 1962, 1972; cf. [section on](#)

[marginalism](#), from Marxist Economic Theory, in [Mandel Archive](#)). Louis Althusser in turn has developed a variety of Marxism which, its sometimes original language notwithstanding, is basically a rehash of the anti-utopian, positivistic, and naturalistic-materialist version of the Marxism of the Second and Third Internationals.

Dialectics is absent from this interpretation, alienation considered a concept belonging to a youthful Marx still under the spell of pre-Marxist ideology. Gramsci in one of his letters from prison wondered whether it really meant anything 'that many of the so-called theoreticians of historical materialism have fallen into a philosophical position similar to mediaeval theology and have turned "economic structure" into a hidden god is probably demonstrable' (Gramsci, 1989:189).

Even so, the economistic Marxists produced analyses of the latest developments in capitalism, and connected them with the expansion into the periphery that accompanied late industrialisation.

Imperialism and Marxism

[Rudolf HILFERDING](#)'s (1877-1941) 1910 [Finance Capital](#) was hailed as the 'fourth volume of Capital' by Kautsky). It takes up the idea of socialisation of capital as it assumed the new forms associated with the differentiations between owners, rentiers and managers, banks, capital markets, and joint stock companies in industry (cf. cf. [Böhm-Bawerk's Critique of Marx](#), 1904, in [Hilferding Archive](#)).



To Hilferding, *finance capital* refers to the form of socialisation in which financiers (banks, especially investment banks) mobilise the vast masses of capital needed to float new enterprises. Thus the corporation, he noted, 'can draw directly upon the combined capital of the capitalist class'. It also draws on the savings of the non-capitalist classes which have been brought under the control of the banking system as well. As a result corporations had been '*freed from the bonds of individual property*' and can develop in response to technological and market opportunities

(quoted in Brick, 2006: 45). Thus finance capital 'socialises other people's money for use by the few' (Ibid).

The Bolsheviks in Russia took up these ideas too. N. Bukharin in *Imperialism and World Economy* (1915) saw socialisation as a state-centred process, leading to the fusion of state and capital, with fierce rivalries and war the result (cf. brief article by 'Dependencia' author Dos Santos, 1970; cf. Chapter 7). Lenin in one of his early writings he gives the following definition:

The socialisation of labour by capitalist production does not at all consist in people working under one roof (that is only a small part of the process), but in the concentration of capital being accompanied by the specialisation of social labour, by a decrease in the number of capitalists in each given branch of industry and an increase in the number of separate branches of industry—in many separate production processes being merged into one social production process' (Lenin, *Coll. Works*, 1: 176)

In his tract on imperialism of 1916, Lenin applied the idea of socialisation to the role of the banks. It is these institutions which centralise the mass of money capital and distribute it over the different branches of production, including a distribution over the domestic economy or foreign credit, 'capital exports'. From the rival attempts to use capital exports as a means to secure overseas markets for railway and armaments deals, and given the fact that the distribution of the world among the imperialist powers by 1900 had been completed, Lenin concluded that only *war* still was available as a means to re-distribute capitalist spheres of influence. In this analysis, the critique of capital is combined with geopolitics (cf. Hudson, 2006).



Rosa LUXEMBURG (1870-1919) in the *Accumulation of Capital* of 1912 added her own accents to the analysis of imperialism.

On the one hand, she tried to 'explain', in a positivist sense, the expansion of capital by taking the numerical examples of Marx's analysis of the internal distribution among the departments of capitalist production. Since these reproduction schemes, which are

presented in *Capital* vol. II, do not explain how the particular increment of surplus value generated by expanded reproduction, is realised (i.e., how the goods in which it is embodied, can find a taker given the particular composition of the departments (producer, wage, and luxury goods), she therefore concluded that this ‘explains’ expansion, because capital must find a non-capitalist sphere (either at home, among the peasantry, or abroad) to accumulate.

Now at the level of abstraction where Marx intended this discussion to be situated, there can be no integral ‘testing’ because the input/output relations between departments are an internal aspect of the circulation of capital which only in Vol. III is reintegrated again with the contradictory logic that begins with the dual nature of the commodity. The claim, however, that capital accumulation *always requires a non-capitalist social (and natural) substratum*, is valid; but not the ‘proof’ (cf. [Harvey](#), 2006).

Applying the Method

Since Marx replaces the ‘species nature’ of humans postulated by the materialists by a historical, social understanding of labour, the method is never a tool in the hands of an abstract ‘observer’, but an aspect of the consciousness of people living in a specific society. There cannot therefore be a (social) theory which entirely transcends the specific society in which it originates and to which it applies—‘The real object retains its autonomous existence outside the head just as before; namely as long as the head’s conduct is merely speculative, merely theoretical. *Hence, in the theoretical method, too, the subject, society, must always be kept in mind as the presupposition* (Marx, 1973: 101-2, emphasis added).

Systems theorists face the same problem of submersion of the subject in the object. Here knowledge is gained by a more or less miraculous jump out of the determinations of the strong system, or by a practical positivism or any other subjectivist epistemology in the case of a weak system. The historical materialist method proceeds by a method of abstraction and re-concretisation, derived from Hegel’s dialectics. It is always assumed that any (social) theory is a product of the society from which it originates—there is no objective dialectics, there is a critical method peculiar to late-bourgeois society and the epoch of the transition to socialism.

Given that the subject/'observer' is in the midst of things, (s)he is confronted not only with aspects of the lived reality but also with a ruling ideology in which the structural features of that reality are explained in a particular way. Marx's dialectical method, as van Erp has noted (1982) is therefore always aimed at developing a 'negative image' of its object, through a critique of the ruling ideology. So if neoclassical economics presents us with conceptions of equilibrium, harmony, end of history, all suggesting we live in the best of all possible worlds, this image, which is contradicted by the profound *disequilibria*, perennial conflict, and ongoing changes in the real world, itself must be contested in the method.

Marx articulated his method in the Introduction to the *Grundrisse*, the sketches for *Capital*. It details a series of steps which go (here one should look back at the quote on Hegel's method and see the resemblance!) from the *imagined concrete* (the world at first sight) to ever-more abstract determinations (which the thinker actively constructs from his/her own contradictory experience, i.e., one is in the middle of conflicts and these have several sides pointing to certain more basic determinations; plus the fact that prior history of thought of course already offers a number of elements that can be classed as such. Say, 'value' was on offer when Marx began to think about these matters. Then, from the abstract determinations, the route is retraced back to more complex constellations, but now 'enriched' by understanding.

So the only way one can study a world in which one is in the middle, is by a process of abstraction. In the words of the *Grundrisse*, if one looks at society, one may first see the population, just as a mass of people. But that is an 'abstraction' already to begin with, en 'empty' abstraction, it tells us nothing.

the population is an abstraction if I leave out, for example, the classes of which it composed. Classes in turn are an empty phrase if I leave out, for example, the elements on which they rest: wage labour, capital, etc. These latter in turn presuppose exchange, division of labour, prices, etc. ... Thus, if I were to begin with the population, this would be a chaotic conception of the whole, and I would then, by means of further determination, move analytically towards ever more simple concepts, from the imagined concrete towards ever thinner abstractions until I had arrived at the simplest determinations. From there the journey would have to be

retraced until I had finally arrived at the population again, but this time not as the chaotic conception of a whole, but as a rich totality of many determinations and relations (Marx, 1973: 100).

This then leads to the *thought-concrete*, the view of the totality as it is at that moment, enriched with understanding of the inner structure of determination.

In *Capital*, this abstract starting point changed from 'population' in the *Grundrisse* to the commodity. The procedure of abstraction and re-concretisation then includes the development from the dual nature of the commodity, to the circulation process, and on to the complex totality of capitalist discipline imposed on society, in the way described earlier.

Does all this mean that empirical 'verification' is never involved in this method? The answer is that whereas in a positivist approach, the theory is supposed to be ready as theory; it thus generates certain testable propositions, and these are subjected to the empirical test. The proposition holds, or must be rejected. The method of historical materialism is different. Historical materialism is a form of mental labour; it produces results which are inherently 'made', elaborated from an outside reality, but *products of thought first of all*. Empiricists on the other hand assume that we merely register what exists already out there. To quote Pannekoek again ([1938]: 26),

Historical materialism considers the work of science, its concepts, contents, laws and forces of nature principally as creations of the spiritual labour of man, even if they owe their emergence to nature. Bourgeois materialism, on the contrary, considers all this (seen from the scientific viewpoint) as elements of nature itself, which are merely discovered and brought to light by science.

In historical materialism, concepts and 'statements' always belong to one or another specific level of abstraction which is the product of the thinking head, not of 'reality' itself. The most abstract determination, such as the dual nature of the commodity in capitalist development, is almost an axiom in the sense that it is not a proposition meant to be tested—although of course it is being tested continually, because whether a good or service has both use value and exchange value, must be confirmed in the market, round the clock. At this level we will often see numerical examples to give the

idea. But one can equally present tables on particular aspects, except that these serve an illustrative purpose and are not (cannot be) meant to give the green or red sign of the theory (the critique) as a whole, but to demonstrate we are discussing something which as such exists, is subject to a particular type of development, etc. So when Marx writes in vol. I that the *absolute* trend is towards impoverishment of the workers, this is meant as a statement about what would happen if there were no complicating factors as we move towards concreteness. 'Absolute' here is derived from *absolvere*, to detach (by means of abstraction), not in the common sense of totally true, 'absolutely'.

At the level of abstraction of, say, the second volume of *Capital*, the same applies. As we saw in the case of Rosa Luxemburg, when one tries to subject the statements in this volume to an empirical test, one jumps over a level of abstraction, taking limited, 'isolated' statements as applying to the concrete. Only in the most complete presentation of a particular historical process, can one hope that all aspects have been accounted for.

9

The State, Hegemony, and Transnational Classes

Marx and Engels were polyglots who wrote about everything under the sun, but their most elaborate theoretical work focused on the critique of naturalised economics *à la* Smith and Ricardo. In the hands of their successors (especially in political parties committed to *applying* Marxist theory), this as we saw led to economism, seeing the economy as the causal factor in everything else. As a result, the elements of a theory of *politics* in Marx and Engels tended to become either *voluntaristic* (agents are assumed to be free from economic constraints in making choices, or in our terminology, subjectivist), or *deterministic* (determined by economic forces, structuralist/objectivist). Marx's contribution however, lay in transcending this divide. Historical materialism combines the insights of

- naturalistic materialism (humanity emerges as a force of nature and remains tied to this origin) and
- historical idealism (humanity develops a historical-spiritual world of its own making).

In addition to the theories discussed in the last chapter, therefore, a range of attempts was undertaken to develop theories of politics, of the state, and of class struggle and class formation. These theories typically were the

work of writers outside or on the margins of Marxist political parties. Why this was so, remains to be investigated; but it is perhaps not too far-fetched to assume that the leaders of Marxist parties and party-states were not the first to question their own role. Neither the German or Austrian, nor the Russian Social Democrat and later Communist leaderships were much inclined to credit their working class following with practical initiative; the economy followed a necessary path, and the Party knew this and would guide the proletariat to victory. After the international isolation of the Russian Revolution, Stalinism crafted the combination of materialist, economic determinism and conspiratorial, political voluntarism, into a caricature of Marxism ('Marxism-Leninism').

In this chapter we look first at the elaboration of theories of the capitalist state, next at the legacy of Gramsci and its subsequent elaboration in GPE (neo-Gramscianism), and finally, at theories of transnational classes.

1. THEORIES OF THE CAPITALIST STATE

All GPE theories include, implicitly or explicitly, a theory of the state. The neo-Weberian *state-as-actor* is often the silent assumption of IPE/GPE theories; it is also the cornerstone of IR Realism, and for that matter, of practically all IR theory. To the extent the Marxist tradition produced a theory of the (modern) state, it tended to be argued in terms of its relation to the capitalist mode of production. But as Adam Przeworski writes, 'Much of what passes for Marxist theory of the state is in fact a state theory of capitalist reproduction, that is, a theory that explains the reproduction of capitalist relations in terms of the role played by the state' (quoted in Bratsis, 2006: 1n-2n). Let us see how this evolved.

State Theories of the Marxist Classics

The most-quoted definition of the modern state given by Marx and Engels is an instrumentalist one, as in the phrase in the *Communist Manifesto* concerning the state as a committee that manages the day-to-day concerns of the bourgeoisie. This however was obviously a propagandistic statement because there are, already in the early writings, many analyses that point to a more sophisticated understanding.

Marx's remarks about the coming of the modern state are an example. The modern state, he argues, abolishes the autonomies of the ethnic or religious communities, or otherwise corporate entities of which society is made up. Once this transformation has been achieved, these entities, or the 'natural powers' as he calls them, lose the capacity to 'reach agreement with the state' as if they were sovereign entities themselves; only as 'spiritual powers, resurrected at the level of the state, in their political reincarnation, the natural powers are entitled to vote in the state' (*MEW Ergänzungsband*, 1: 419). Political parties from this perspective, are the spiritualised form of communal interests—tribe, caste, religious denomination, class—and the state, by implication, is a spiritual sphere. This of course is still very much a Hegelian notion.

LENIN (Vladimir Ilyitch Ulyanov, 1870-1924) in his notebooks on the topic calls the state a 'bureaucratic and military machinery' (Lenin, 1975: 12) (cf. [Lenin Archive](#))



When the chances of seizing power in Russia seemed to come nearer, he approached the issue of the state from different, sometimes contradictory angles. In *The State and Revolution* of early 1917, Lenin adopts an almost anarchist position, claiming that the revolution would have to 'smash' the state, destroy it; this was consonant with the idea of putting in place a rival structure of power anchored in councils (*soviets*) of workers, peasants, and soldiers. It harked back to the notion of Marx and Engels that the state in socialism would 'whither away'.

Later in the year, however, in *The Impending Catastrophe and How to Combat It* (written just before the seizure of power), he claimed that state control of the economy for war purposes on the contrary had created 'the complete *material* preparation for socialism, the *threshold* of socialism' (*Coll. Works*, 25: 363). In other words, capitalist development itself produces an

insertion of the state into socialised labour processes; this only leaves the task of removing the capitalist shell, and the planned economy was in place. This pamphlet became the basis for the theory of state monopoly capitalism, which as we saw in Chapter 6, is one of the sources of Regulation theory.

In practice, it turned out that the inherited state of tsarist Russia was not ready for a progressive departure at all. In November 1922, Lenin claimed that 'our machinery of state... is inflated to far more than twice the size we need, and often works not for us, but against us' (*Coll. Works*, 33: 394-5). 'To reorganise our machinery of state, which is utterly useless, and which we took over in its entirety from the preceding epoch' was now considered one of the most urgent tasks (*Ibid.*, 33: 474). The only part of the state apparatus that had changed, was the People's Commissariat (ministry) of Foreign Affairs and only because the Party had taken direct control, amalgamated itself with that Commissariat, right from the start (*Coll. Works*, 33: 481, 495).

This was important because, as Lenin had observed before,

We are living not merely in a state, but in a system of states, and it is inconceivable for the Soviet Republic to exist alongside of the imperialist states for any length of time... There will have to be a series of frightful collisions between the Soviet Republic and the bourgeois states. If the ruling class, the proletariat, wants to hold power, it must, therefore, prove its ability to do so by its military organisation (*Coll. Works*, 29: 153).

In one respect this was a 'realist' turn, recognising the multiplicity of sovereign entities. In contrast to IR Realism, however, note that the state is seen as being controlled by the ruling class holding power – a return to the original, instrumentalist Marxist position. Whether the proletariat really ruled the Soviet state, or whether (in line with Lenin's original idea of the vanguard party which alone can instil revolutionary consciousness into the working class), the ruling class was a state class of cadres pursuing a state socialist policy, is another matter.

With Nikos Poulantzas, this instrumentalism was abandoned, at least to a degree.

Poulantzas and Relative Autonomy

The origins of the particular interpretation of Poulantzas' Marxism are to be found in the work of Louis [Althusser](#). Althusser rejects the connection between Hegel and Marx and instead wants to 'read *Capital*' in a purely materialist light again. Ideational claims such as commodity fetishism, are entirely dismissed. Althusser postulates an epistemological rupture between the premature, 'ideological' Marx and the mature Marx of *Capital*, the man of science. 'Theory' is also material practice ([cf. text](#)).

The young Marx according to Althusser still stressed 'pre-Marxist' aspirations concerning the realisation of an innate humanity; the mature Marx (from 1847-'48) on the other hand became 'scientific' by organising his thinking around the concept of *mode of production*. A mode of production, then, defines the different classes that form in its context (they constitute 'class effects' of the mode of production); these classes are *objectively* locked in struggle—never mind their 'aspirations'. Obviously this again raises all the issues of how (if reality is objectively rational and obeys its own laws), humans can open it up and change it—the issues raised by Marx in the *Theses on Feuerbach* (Althusser incidentally was the French translator of Feuerbach's *Essence of Christianity*).

This is solved by Althusser in the spirit of the philosopher and psychoanalyst, [Gaston Bachelard](#). Bachelard claims that the 'object' must be observed in an 'ironic' way, after one has distanced oneself from it ([cf. Bachelard quoted in Bratsis, 2006: 7](#)). Whether this is enough to solve the dilemmas of the 'Theses on Feuerbach', is a different matter. It certainly has influenced the language used in this tradition and lent it a particularly complex, sometimes convoluted quality.

Class struggle according to Althusser evolves on three levels: in the economy, in politics, and in the sphere of ideology. The economy *over-determines* (or in a phrase of Engels, 'determines in the final instance'; 'over-determination' originally comes from Freud) the constellation as a whole. *The economy (over-) determines which level is the determinant of the others in a given type of society*. In feudalism, politics and ideology determine the other levels, whereas in capitalism, it is the economy. All

this is itself (over-) determined by the economy (so the economy determines that the economy is dominant in capitalism, politics/ideology in feudalism). Revolutions occur when the proletariat is victorious in its class struggles at all three levels at the same time (Althusser, 1975, 1977).

Nicos POULANTZAS (1936-'79) takes this scheme as his starting point to analyse the organisation of political power in capitalism (centrally, the state) that also draws on Gramsci (cf. below).



In the view of Poulantzas, successive modes of production develop over time, enfolding prior ones into ever-more complex combinations. So in capitalism, in addition to the capitalist and the working classes, there are petty bourgeois elements (small farmers, shopkeepers) carried over from petty commodity exchange, remnants of the aristocracy, and so on; these constitute (as do the main capitalist classes internally) *class fractions*, lending a social formation its unique complexity by comprising,

an entire series of phenomena of fractioning of classes, dissolution of classes, fusion of classes..., specific categories, etc. These cannot always be located by an investigation of the pure modes of production that have entered into the combination (Poulantzas, 1971, 1: 72).

In the state, the specific balance of forces of the given social formation achieves its most pointed expression. *The state is not itself an actor*; it is the terrain on which the classes encounter each other in the struggle for political power, which may result in a dominant power bloc (coalition of classes and class fractions) holding others at bay, or, if the main opposing classes hold each other in balance, may temporarily acquire a quality of its own as a *Bonapartist* or Fascist dictatorship. As Poulantzas puts it, in obvious contrast with the claims made by Lenin and the theory of state monopoly capitalism,

The state is neither a thing—instrument that may be taken away, nor a fortress that may be penetrated by a wooden horse, nor yet a safe that may be cracked by burglary: it is the heart of the exercise of political power (quoted in Palan, 1992: 23).

Hence the state is not the committee managing day-to-day affairs of the bourgeoisie (the instrumentalist understanding), but the place where the bourgeoisie will have to deal with all other political and social forces, assuming that it is the bourgeoisie which hold the central ground to begin with. As a result the state, even a through and through bourgeois state, enjoys a *relative autonomy* – not from society, as the neo-Weberian position maintains, but only from the separate classes and fractions of classes individually. It is that margin of freedom which gives the state the semblance of being an autonomous agent.

In *Political Power and Social Classes*, Poulantzas still understands this relative autonomy as being over-determined by the multiple connections (embodied by classes and fractions of classes) between the state and society. In *State, Power, Socialism* he moves on to the notion of a *condensation of class relations in the state*. Thus the state becomes a social relation in its own right (Bratsis, 2006: 18).

As capitalist relations develop through the transnational socialisation of labour (cf. Chapter 8), the separate states become relays of dominant capital. 'The states themselves assume responsibility for the interests of the dominant imperialist capital in its extended development actually within the "national" formation' (Poulantzas, 2008: 245). In the article (originally of 1973) on the 'Internationalization of capitalist relations and the nation-state', Poulantzas claims that this phenomenon explains why 'Europe' (the integrated Europe, today's EU) cannot (or could not at the time) become a real rival of the United States; this is so because it must, in order to compete, *internalise* the power relations and technical organisation of production developed by the dominant US capitals operating in Europe. In *adjusting its own society to the needs of transnational capital* (today we would perhaps not single out US capital any longer), it disorganises its own internal class and productive structure.

The capital that transgresses ...national limits does indeed have recourse to the national states, not only to its own state of origin but also to other states. This produces a complex distribution of the role of the states in the international reproduction of capital under the dominance of American capital. This distribution can have as effects off-centrings and displacements in the exercise of these functions *among their supports*, which remain essentially the national states (Poulantzas, 2008: 253).

Bob Jessop, building on Poulantzas' work, sees the capitalist class as pursuing 'accumulation strategies' which combine with a given 'hegemonic project' developed at the level of the state (Jessop, 1983). In *State Theory* of 1990, Jessop claims that 'the state as a social relation can be analysed as the site, generator, and product of strategies' (quoted in Bratsis, 2006: 19). The state is not autonomous in developing strategies, but adheres to a *strategic selectivity* which makes it more open to some demands than to others.

In the debates on imperialism in the early 20th century discussed in Chapter 8, there is of course also a state theory – but this is in large part the theory of the *Communist Manifesto*: the state acts as an executive of the capitalist class. How the multiplicity of states, the state 'system', relates to capitalism, remains a contentious issue. Either the state system supposed by IR Realism is seen (Rosenberg, 1994) as *functionally complementing* the operation of capital; just as prior forms of the extraction of surplus produced their own forms of international relations, capitalism (which relies on the apparent separation of the political and economic spheres, is best served by a world order that apparently is anarchic, a political system in its own right. Or, it has been argued (by Teschke 2003, H. Lacher, and others) capital developed in the context of a state system that had emerged as the result of a historical process unrelated to capitalist development, and which simple was in place (in Europe at least) when capitalist relations crystallised, first in England. Once a new type of state emerged after the Civil War on the British Isles, this allowed the English/British government to 'play' the existing, continental dynastic system by 'active balancing'.

2. GRAMSCI AND NEO-GRAMSCIANISM

One of the sources of inspiration of Poulantzas, Jessop, and others, is the work of Antonio GRAMSCI (1891-1937), a leader of the Italian socialists in the revolutionary struggles at the close of World War One. He died after an exhausting spell as a political prisoner of Mussolini's Fascists, managing nevertheless to write notes in which he analysed the defeat of

the socialist revolution in developed capitalist society and which were smuggled out of his cell (see [Gramsci Archive](#)).



Gramsci centrally raises the question *why the revolution that had succeeded in Russia, failed in Italy* (and in other countries in Western Europe) in spite of its higher level of development and better organised working class. In the *Prison Notebooks*, he develops an analysis of the nature of the state in its relation to society, and how a communist party can gain power in other ways than by seizing it. In the neo-Gramscian strand of GPE, this revolutionary aspect has receded into a more muted progressive position, but the conceptual elements have been retained: state and civil society, hegemony, and the role of intellectuals.

Machiavellian Antecedents

The intellectual source Gramsci himself draws on to develop an answer to the question why the revolution had failed outside Russia is the *neo-Machiavellian* thinking as it crystallised around the turn of the twentieth century in Italy.

Compared to the United States, which developed as a capitalist society from the start, the capitalist mode of production in continental Europe was less developed. In the US, factory owners would themselves shape tactics in dealing with the working class; shifting, according to circumstances, between a regime of harsh exploitation and violence against workers, to one of concessions and compromise. The European ruling class on the other hand was an amalgam of pre-capitalist elements (aristocracy, state personnel and clergy) and bourgeois elements (factory owners, merchants, lawyers etc.). Hence in Europe, *politics* was the terrain on which the challenge of the labour movement was to be met. Because of the many retrograde elements in the ruling classes, there was also a lingering,

romantic rejection of mass society, a belief that it was still possible to go back to a pre-industrial, aristocratic age.

In this context the Renaissance was reinterpreted as the defining age of proper humanity. Leonardo da Vinci and Michelangelo, great geniuses no doubt, were idealised all out of proportion as representatives of 'universal man', super-humans. These were seen by conservatives such as Jacob Burckhardt, the historian of Renaissance Italy, as the type of personality threatened with extinction in the advancing age of mass industrialisation and urbanised society. Richard Wagner, with his operas celebrating dauntless heroes inspired by the mythical Germanic past, Nietzsche (cf. Chapter 10), and others in this era all shared this reactionary (backward-looking) longing for a pre-industrial existence.

In Italy, a parallel preoccupation with the Renaissance revived interest in Machiavelli. But the *neo-Machiavellians* (or *Elitists*) were not swooning



romantics. They dealt with the practical question, *How the ruling class can mobilise (parts of) the new middle classes in an alliance against the workers.*

The neo-Machiavellians included Vilfredo Pareto (1848-1923; cf. *Mind and Society*, fragment); the Italianised German, Robert(o) Michels (1876-1936); and in France, Georges Sorel (1847-1922). Sorel would have great influence on Gramsci, as would the godfather of this strand, Gaetano MOSCA (1858-1941, pictured).

The view of Machiavelli as a technician of power served as the starting point. Mosca's chief work, translated into English as *The Ruling Class*, was actually entitled *Elements of Political Science* in the original. In Mosca's view, the masses may be the numerical majority, but they lack the capacity to develop an integral world-view adequate to the task of governing society. The new middle class of technical and managerial cadre, on the other hand, can achieve just that—if properly organised and guided. This guidance is shaped through what Mosca terms a *political formula*, constructed around theories and ethical concepts that will make rule acceptable to a much broader part of the population. It rests on a 'social

type', which may be a nation or any other 'imagined community' such as a religion or a civilisation; and which serves to coordinate a multiplicity of wills and aims, and to achieve common ends (Livingston in Mosca, 1939: xv, xxix). Once a social type is formed, it functions as 'a crucible that fuses all individuals who enter it into a single alloy' (Mosca, 1939: 72-3). Even so,

Political formulas are [not] mere quackeries aptly invented to trick the masses into obedience... The truth is that they answer a real need in man's social nature; and this need, so universally felt, of governing and knowing that one is governed not on the basis of mere material and intellectual force, but on the basis of a moral principle, has beyond any doubt a practical and a real importance (Mosca, 1939: 71).

Mosca then asks whether 'a society can hold together without one of these "great superstitions" — whether a universal illusion is not a social force that contributes powerfully to consolidating political organization and unifying peoples or even whole civilizations' (Ibid.), and this sets the task of political science. Only by discovering composite elements of the 'social type' (nation, religion, language, interests...), can the adequate political formula be constructed. This is not entirely an ideological operation either. In a striking anticipation of Gramsci's notion of the social foundations of hegemony, Mosca proposes to account for the stability of a regime by looking at the ratio between the number and strength of the social forces that it controls or conciliates, and thus represents; and the number and strength of the social forces that it fails to represent and faces as adversaries. Those periods of history are the most benevolent and productive, in which law, habit, custom, and morals combine to create a legally entrenched system of balanced social relations (Livingston in Mosca, 1939: xix-xx).

The neo-Machiavellians provide all the elements we also find in Gramsci, who speaks of popular 'common sense' and folkloric beliefs on the one hand, and the technical division of labour and the socialisation of labour, on the other. The possibility of creating comprehensive formulas which reach beyond the mechanistic addition of immediate interests, is given by this heterogeneity. Pareto speaks of two strands in collective thought: one is made up of the *residues*, the basic instincts; the other, the *derivations*, are rationalisations guided by emotions. In para. 1868 of his *Trattato*, he writes:

The feelings which express themselves in derivations that transcend experience and reality, have great effect as motive forces to action. This fact explains' [Pareto continues] 'the origin of a phenomenon that Georges Sorel has observed and highlighted very well: Social doctrines that have great effectiveness (especially the emotions that are expressed in them) assume the form of *myths* (quoted in Deppe, 1999: 197, emphasis added).

Sorel however goes beyond the individualistic, mathematised economics on which Pareto's sociology is premised. The Sorelian 'myth' is not a synthesis of consumer preferences, but an autonomous, social-psychological force.

'In Sorel's psychology,' Augelli and Murphy write, 'moments of real decision—moments at which the self is grasped (and, in being grasped, is transformed)—create people anew.'

They give time an arrow, changing the way judgements will be made from that point forward—even the petty, incomplete rationalist judgements we make when acting as an "economic man". In that way, effective social myths, those that become the basis for collective action, make history. Therefore, they require us to understand human action historically and not as the consequence of recurrent, essentially similar, a-historical individual rational choices (Augelli and Murphy, 1997: 27).

The neo-Machiavellians did just that. They wrote in the context of the turn-of-the-20th-century decline of the old notables and petty bourgeoisie, and the rise of the new cadre of managers, technicians and professionals. They devised a theory from which politicians crafted a 'mythology' that revolved around notions of rebirth and struggle, a romanticised politics based on an 'aestheticisation' of reality. To mobilise the masses, reality is not at all conceived realistically, but by way of aesthetics, an imaginary in which beauty and passion are prominent. This may result in gloomy visions of a final demise (a decline of civilisation, as in Oswald Spengler's *Die Untergang des Abendlandes*), or just the idea that there is no point in developing optimistic notions about world order. *War* in these visions becomes a heroic liberation from false pretence, lies and cowardice. This was the collective mood in which Fascism took hold. Its weaker version was the cold war 'realism' of Niebuhr, Kennan and Morgenthau (Deppe, 1999: 216).

Huntington's 'Clash of Civilisations' thesis (of a world-historic contest between Western Christianity, Islam, Confucianism etc.) is a contemporary example of an aestheticised politics. It serves the need of mobilising a cadre by providing them with a heroic framework in which to conceive of their actions, and on that basis mobilise a mass following for war and far-away intervention in the current circumstances.

The neo-Machiavellian elitists, then, produced the following components of a new political science:

- Politics is concerned solely with conquering and keeping *power*;
- The actual ruling class is too small, too few in numbers, to do this on its own;
- therefore must mobilise a *cadre* from among the middle classes, especially the new middle classes, as allies, to organise the stability and flexibility of the power of the existing order;
- To this end, it relies on 'political formulas', or comprehensive programmes with a propagandistic capacity for capturing large audiences, to be developed again by elites recruited from its middle class allies especially. This latter component involves developing the 'aesthetic dimension' of politics, bring in emotionally powerful elements such as the nation, war, etc.

Now if one looks at Gramsci's theories of politics, the continuity transpires clearly in spite of the diametrically opposite political thrust.

Gramsci's Theory of Historic Blocs and Hegemony

Gramsci's answer to the question, Why did the Russian revolution succeed and the Western European attempts fail, was built around two interpretations of how state and society are related (cf. [Morton](#), 2007).

In *Russia*, the state was everything, and society was weakly developed as an autonomous sphere of social self-organisation. Apart from the church and the army, the vast majority of Russians were peasants living in isolated villages on the land. A revolutionary party strongly entrenched in the pockets of advanced industry, could therefore, by conquering the state, gain control over the levers of power directly, by what Gramsci calls a 'war of movement' or 'war of manoeuvre' – *Blitzkrieg*.

In *Western Europe*, on the other hand, *civil society* was highly developed and diverse. Associations of all kind, in culture and sports, trade unions and employers' organisations, charities, and in what he calls *political society*, actual political parties, organised millions and millions in areas not yet directly part of the state in the narrow sense. Whereas the state represents *coercion*, the force backing up power, civil society on the contrary is the sphere of *consent*, because of a free trade union or a music club one is always a voluntary member.

The modern state, therefore, in Gramsci's opinion should be understood as the *extended state*, *state plus civil society*. This is symbolised by Machiavelli's image of the centaur, the mythical half-man, half-horse: the human part representing ideological power, consent, the animal, the element of physical power, coercion. A strategy of conquering power in modern society should therefore be based on a protracted 'war of position', trench warfare; advancing by one trench at a time. This is a struggle which necessarily builds on advances in the sphere of ideological consent, in civil society; if it eventually secures victory, it does so by first achieving *hegemony* in civil society (which is then translated into state power).

Gramsci replicates the analysis of the neo-Machiavellians, albeit enriched with his reading of Marx and commitment to the struggles of the working classes, by elaborating comparable elements:

- The revolutionary working class is too small to conquer power on its own in an extended state;

- It therefore must build an alliance, or *historic bloc* of forces, in which other classes, too, are drawn into the same formations as those of the working class;
- To do so, it must especially win the allegiance of (middle class) intellectuals, through the propagation, by its own thinkers, of certain comprehensive formulas which will shift the political and cultural hegemony of the ruling class bloc to that of the working class;
- Only a party which unifies all these forces and functions, can hope to become a new 'Prince' (the reference is to Machiavelli's famous tract) and conquer power.

An important part of the Prison Notebooks are Gramsci's notes on 'Americanism and [Fordism](#)' in which he describes the social and political effects of the Fordist (after Henry Ford) assembly-line production on the workers, the need to balance out the requirements of intensive, nerve-wrecking work on the conveyor belt with the organisation of workers' lives, the surveillance of how they spend their income, their leisure time, etc.

In Gramsci's view, what is required for Fordism to function is a return to the original peasant ascetics—early to rise, no frills. This would mean a break with the heavy physical work of dockworkers etc. This would end drinking binges on pay day (the workers' culture of early industrialised England has remained with us in this respect). Excessive indulgence, then, would undermine the more precision-led and carefully timed type of work on the conveyor belt. Hence the move of Ford, later replicated by capital at large, towards total control of production *and* re-production.

But Gramsci also asks, What would happen if this comes to Europe? Will it bring a form of socialism organised by capitalists? Will the European class structure change by getting rid of all the sediments of past modes of production, the 'pensioners of economic history' one does not find in America where 'hegemony grows directly in the factory'—?

Robert Cox and the Neo-Gramscians

[Robert Cox](#) (b. 1926) in the early 1980s established the strand of thought that we now call neo-Gramscian by re-reading Gramsci to understand his own experiences as a research director at the ILO in Geneva. This he felt enabled an understanding of the true nature of the power of the capitalist West in the world. This power rests not just on the preponderance of the United States as a state (the element of coercion), but on the *hegemony* achieved by a historic bloc of the ruling class and its allies at the level of civil society, around such structures as mass consumption industry. It is through a *transnationalised consent*, backed up by force to be sure, that the ruling classes of the West have achieved what comes close to a global hegemonic order.

So whereas (neo-) Realists (both rational/public choice theories such as Hegemonic Stability Theory and Regime theories) see hegemony as an attribute of the *state*, Cox and authors in the same strand such as [Stephen Gill](#), Craig Murphy, and others, stick to Gramsci's original notion of hegemony as a form of rule emphasising the element of consent by the use of what Mosca calls a political formula (cf. for a critical assessment, [Germain](#) and Kenny, 1998).

In his essay on Gramsci's method (originally of 1983), Cox develops a number of aspects of the historical materialist tradition, although it is obvious that he also takes on board various aspects of other traditions such as institutionalism and Weberian action theory (as he later explained in more detail, cf. his 2002). Thus when he writes that a *concept* in Gramsci's view is 'loose and elastic and attains precision only when brought into contact with a particular situation which it helps to explain—a contact which also develops the meaning of the concept' (Cox, 1993: 50), this obviously reveals the influence of Weber's ideal types (cf. Chapter 4; Marx had a different understanding of concepts, which, as abstractions, are the result of historical development, which brings out a general, mutually interchangeable aspect of a phenomenon, e.g. 'labour' conceived as a general, interchangeable phenomenon, no longer as baking, tool-making, woodcutting, etc.). The neo-Gramscian understanding clearly places more emphasis on the subjective mental process of conception.

In extending Gramsci's categories to the global political economy, Cox takes up the distinction between the advanced states of the West with their developed civil societies, and the late-comer states which have a 'gelatinous' society lacking the complexity of their Western counterparts – the distinction on which the different strategies of 'war of position' and 'war of manoeuvre/movement' were based. The society of the latter type will tend to adjust to the hegemonic structures through which the West exerts its power, by *passive revolution*. This concept, in its application to international and transnational relations, refers to the absorption of certain structural features of the hegemonic West whilst resisting any revolutionary transformation from below. This involves, as Cox sums up, the following features (Cox, 1993: 54-5):

- *Caesarism*: the appearance of a strong man to balance the conflicting social forces in a situation where domestically there is a stalemate and externally, the hegemonic power has to be kept at bay. This can be a progressive strong man (say, a Castro or Chávez seeking to foster the transition to new social relations from above) or a reactionary one, intended to maintain the old property relations and class positions (fascist rulers). Here Weber's charismatic authority comes to mind.
- *Trasformismo*. This is the policy of co-optation. In order to neutralise any potential revolutionary movement, it is mandatory to seek to recruit cadre from the ranks of the intelligentsia who might otherwise join the disaffected and become part of the revolt. Internationally, this works by bringing bright young students from countries on the perimeter of the West's hegemonic reach to study in the United States or Western Europe; and more particularly, to recruit economists and lawyers to work in institutions such as the World Bank and private financial institutions to socialise them into a culture in which the capitalist economy is seen as a natural condition, and then let them go back to their own countries to spread the gospel.

Gramsci already theorised how the transformations that force societies

into passive revolution mode, radiate across borders. In Cox's words,

The French Revolution was the case Gramsci reflected upon, but we can think of the development of US and Soviet power in the same way. These were all nation-based developments which spilled over national boundaries to become internationally expansive phenomena. Other countries have received the impact of these developments in a more passive way... This effect [i.e., passive revolution] comes when the impetus to change does not arise out of "a vast local economic development... but is instead *the reflection of international developments which transmit their ideological currents to the periphery*" (Cox, 1993: 59, quoting Gramsci, emphasis added).

The strategy suggested by neo-Gramscian theory, that may work to change global society, is to develop a *counter-hegemony* (cf. [Mueller, 2002](#)). Such a strategy is in order once the world order is a hegemonic one: this was the case in the *Pax Britannica*, when classical liberalism was the hegemonic formula based on the almost unchallenged acceptance by the world's ruling classes of the benefits of free markets. In the *Pax Americana*, there was again a hegemonic order, based on Fordism and demand management by the state. In the first half of the twentieth century, on the other hand, rivalries prevented such a hegemonic order from establishing itself (Cox, 1987).

Each of these constellations contains a number of *forms of state*; there is no fixed state form, as in Realism, which sums up what the state is about, but the forms of state change along with the social foundations from which they arise. The hegemonic state form of the *Pax Britannica* was the liberal state, the dominant form of state of the era of rivalry the *welfare-nationalist* state, and the state form of the *Pax Americana*, what Cox calls the *neoliberal* state (what we would perhaps call the corporate liberal state now that 'neoliberal' refers to the Hayekian form of liberalism discussed in Chapter 2).

Counter-hegemony is obviously consonant with the notion of a war of position. Yet it may be asked whether the division of the world into formally sovereign states, even if we recognise the transnational connections and bloc formation, does not invalidate the transfer of such concepts to the global level without taking the international or foreign dividing lines into account more explicitly. Cox argues that a new

political organisation, along the lines of Gramsci's idea of a Modern Prince (after Machiavelli's notion of a ruler embodying the collective will) must emerge to unify the modern working classes with peasants and urban marginals on a transnational scale (Cox, 1993: 64-5). Stephen Gill has claimed that the alternative, 'anti'-globalisation movement that appeared on the world scene in Seattle in 1999, might represent such a Modern Prince, or at least herald it ('The Post-modern Prince', in Gill, 2003). But as Cox indicated, there is always the threat of a lapse into the resurgence of local national populisms which then may permit a restoration of 'monopoly-liberal hegemony' even after a serious crisis.

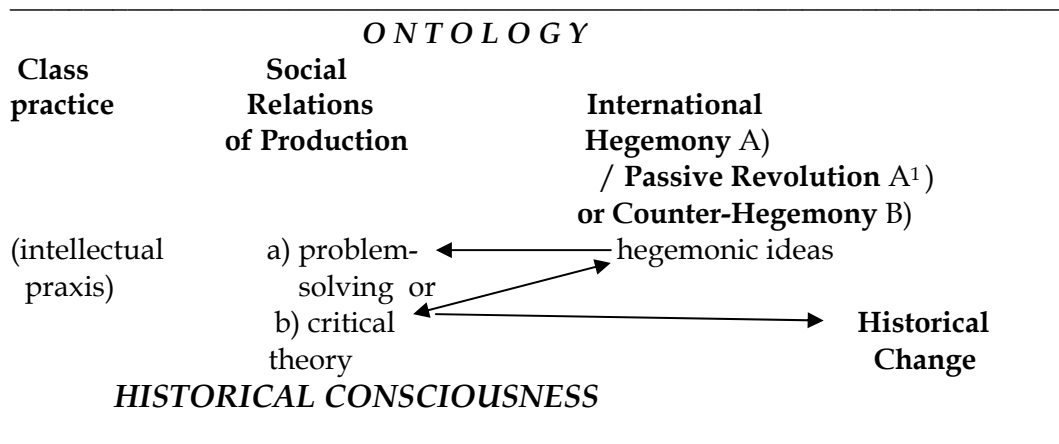
The way the social forces in a given epoch are constituted, crucially involve the *social relations of production* of which Cox sums up a range of historical forms (Cox, 1987). It is from these foundations that class structures and historical blocs arise. The ontology of neo-Gramscian historical materialism therefore implies a sphere of productive relations in the broad sense as the means through which social forces engage with the object-world; but this is a global constellation. 'Our ontology must be founded upon the idea of a global social formation constituted in part by the degree of integration/disintegration of basic social structures, social forces, and... forms of state' (Gill, 1993a: 30). The idea of 'nature' is not so prominent in the Gramscian tradition as in the original Marxist one, and 'class struggle' tends to be diluted somewhat to a sense of historical change as the essence of the (social) world.

In the epistemology of this approach, the social is separated from how insight in the natural world is gained. Gill in his introduction to a collection of neo-Gramscian writings (Gill, 1993b), speaks of the 'objective' world that humans perceive, as a 'second-order reality', i.e., a historical society (Gill, 1993a: 21). He also reiterates Hegel's claim that 'there can be no immediate knowledge, since this would imply that we have no consciousness which mediates with ... reality' (Ibid.: 27).

Thus we may retain the dialectical understanding of how knowledge is obtained, with only the greater emphasis on concept formation as a subjective effect added. I will refer to this as 'intellectual praxis' as the epistemological aspect of praxis in general, by which Gramsci denotes

the essentially historical-practical nature of human existence (cf. Figure 9.1). Theory formation may either reflect the hegemonic ideology (Cox then speaks of 'problem-solving' theory), or 'critical' theory. Under the influence of international hegemony, passive revolution (as one option in real time) is an ontological counterpart to problem-solving as a knowledge strategy, just as critical thinking may support counter-hegemony. Thus critical theory and the different forms of contesting or adapting to international hegemony feed into historical change as the comprehensive reality (since the achievement of hegemony is considered key in this approach, both the ontology and the historical consciousness that includes the epistemological aspect, in the figure are given in bold type).

Figure 9.1. Neo-Gramscian Accents in Historical Materialism



In his study on the role of private transnational consultative and planning bodies such as the Bilderberg Commission, the Trilateral Commission and the World Economic Forum, Gill conceptualises these networks as *organic intellectuals* of the ruling bloc (Gill, 1986; cf. 1990). This takes us to those authors who have investigated these networks in the context of classes and fractions organising the global economy.

3. TRANSNATIONAL CAPITAL AND CLASS FORMATION

Transnational corporations as the embodiment of the links that make up the world economy have been studied by business economists like Raymond Vernon and many others. A tradition that goes back to the late 19th century was to look at the actual officers of such companies and the networks of power and influence they established between different corporations, the state apparatus, and various social institutions such as universities.

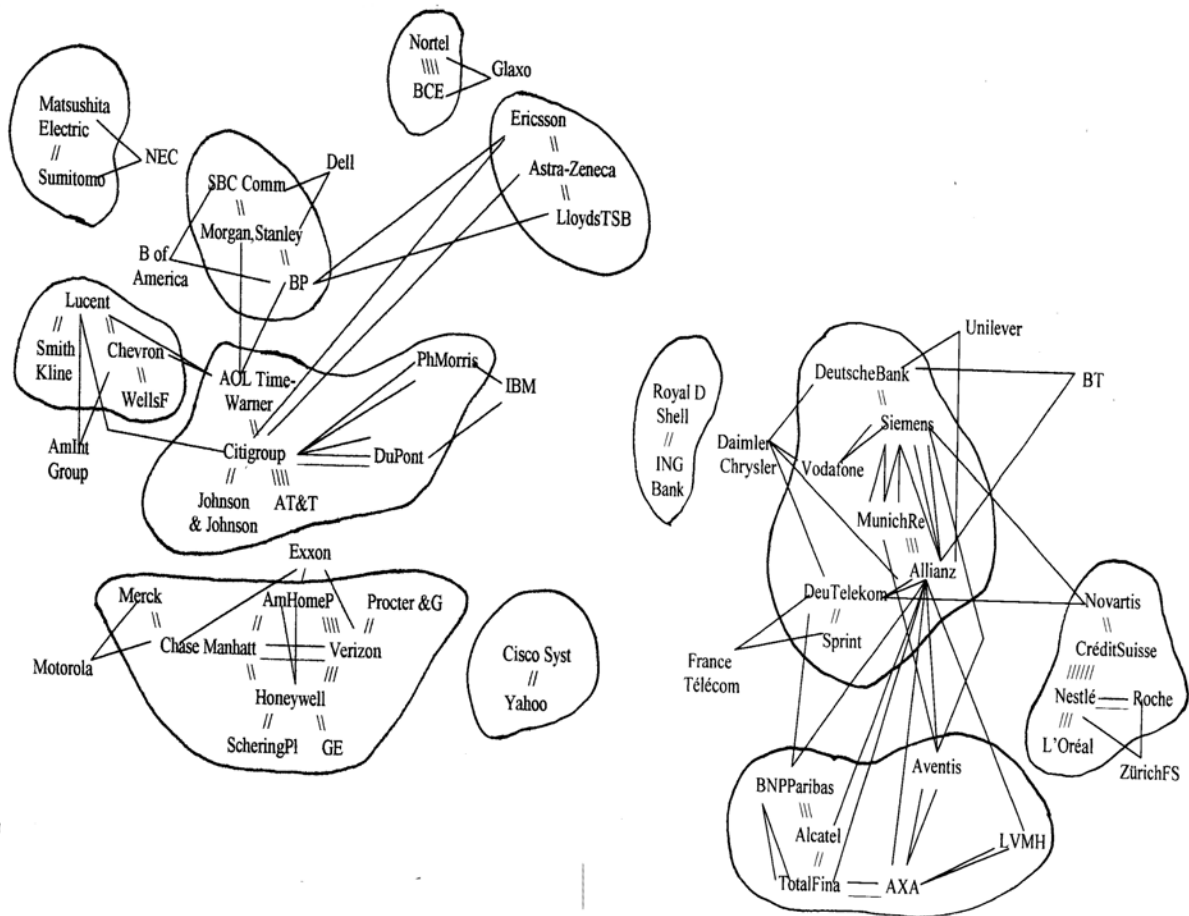
Interlocking Directorates and Concepts of Control

The form in which capital constituted itself in late industrialising societies was 'finance capital' in the sense of Hilferding (Chapter 8): combinations of banks and industrial firms that operated, often with the state in the background, as larger formations pursuing a common strategy. To demonstrate that this was indeed what happened, the links between such corporations and banks was documented by identifying officers who occupied posts in more than one companies, 'joint directorates'. The age of imperialism produced a host of studies revealing such webs of director interlocks in national economies. In the crisis of the 1930s, there was another wave, notably in the United States, which had a distinct left political perspective; another wave of studies concerning interlocking directorates occurred in the 1970s. All of these studies were national studies or at best, comparative.

Transnational interlocks became the object of study towards the end of this period. Meindert Fennema's pioneering work in this area (Fennema, 1982) and the work of William Carroll and others which has continued to the present, is based on an empirical, materialist approach which leaves open the ideational aspect of class formation on the part of the multiple directors (Nollert, 2005). Below, such a network (from my 2006: 286,) is given by way of illustration. It depicts the clusters of corporations (defined as those connected by two or more joint directors) and their 'satellites' (corporations connected by two or more directors with clusters), for the year 2000 (in a forthcoming article with Otto Holman and Or Raviv, we also give the network for 2005, which documents a dramatic shift in

overall *centrality* to German corporations). Such centrality is taken as an indication that such a corporation is strategically placed in obtaining information (through the directors it shares with other corporations), just as its own strategy will reverberate across the widest possible circle of corporations.

Figure 9.2. Clustered Joint Directorates, 150 Transnational Corporations, data for 2000



Source: companies by assets, *Financial Times*, Global 500, 4 May 2000. Clusters of corporations linked by two or more directors and corporations linked by two or more directors to clusters. Data collected with the assistance of Stijn Verbeek.

The most strategically placed corporations, one would expect, would also be represented more than proportionally in transnational private consultative, planning bodies such as Bilderberg and the Trilateral Commission. This aspect has been investigated (and broadly found to apply) by Carroll and his associates ([Carroll and Carson, 2003](#)). Of course here one must also bring in the aspect of what the strategy is, how it functions, and how it can be related to the aforementioned notions of a political formula and hegemony discussed in the previous section ([Staples, 2006](#)).

Ries Bode, working with a group of scholars and students in Amsterdam, in this connection developed the notion of what he calls a *comprehensive concept of control* (Bode, 1979). A concept of control refers to a temporary conjunction between,

- an ascendant trend in the economy articulated by particular 'moments' or phases in the capitalist cycle (the financial, the productive, the commercial, the national or world market, etc.), each with its characteristic world view; and
- the capacity of a set of social forces operating in the context of one or several state(s) to translate this perspective into a general ('comprehensive') programme for society as a whole.

The managerial and political *cadre* (both the corporate elite and the political-ideological-media 'general staff') are the obvious executors of this enterprise.

Each 'moment' in the capitalist cycle mobilizes a particular strand within the broader class. Thus owners and their bankers, the financial cadre in the state apparatus etc. will be prominent in the 'financial' moment; industrial managers, labour relations specialists, and supply-line organizers will be more emphatically involved when actual production is at the centre of concern, and so on and so forth. For this sort of division, which is never fixed and static, Poulantzas as we saw uses the term *fractions* (class

fractions); Marx in *Capital*, vol. II and III, on the other hand uses the term fraction in connection with capital itself.

Capital is a comprehensive force, a *discipline* over society and nature but, in order to maintain the fundamental pattern of exploitative class relations that supports it, it requires a dynamic and responsive mode of imposing that discipline which is adequate in the shifting conditions. So the idea of a concept of control is not a conspiratorial device, but captures the idea that whilst discipline must be established (there is no natural capitalist economy on its own account), this still requires a social process of concept formation, programme writing, and the recruitment of allies in order to establish a coalition of class forces behind the proposed formula of the general interest.

The perspective of fractional differentiation, constantly recomposed in actual development, tries to capture this process. It makes it possible to relate processes of social production and reproduction to longer-term class formation and to the constitution of power and rule in society. It aims to overcome the lack of elaboration of the political sphere as a terrain of struggle by the French Regulation school, and its relative neglect of the transnational/international dimensions of political economy. Concepts of control aim to fill this void and 'open up' the state conceived by Aglietta and others as a machine of regulation, but also 'capital' itself.

The role of transnational private consultative and planning bodies allows us to conceptualize a level beyond the state, where economics and politics are synthesized in a dialogue among the corporate elite and cadre with the actual ruling class; whilst the concept of 'fraction' makes it possible to understand between whom the dialogue is actually taking place given there is a unifying need to reproduce capitalist discipline as such.

From Class to General Interest

As Rudolf Hickel has argued, fractions of capital are the form in which capital as a collective social force made up of *competitive* units (in Marx's original terminology, 'particular capitals') seeks to achieve a degree of collectivity to be able to act as a class agency (Hickel, 1975). To that end,

firms and other forms of capital such as the private investor coalesce along lines of common practice and perspective as financiers, organizers of actual production, exporters, stock owners etc. Beyond property itself, however, 'interests' are not given but fluid, depending on the overall condition of the political economy (the balance of class forces, the business cycle, international relations).

For example, 'the economic perspective of ascendant fractions of capital' could refer to a conjuncture in which the financial world is gaining strength in terms of the share of the total mass of profits it controls. Simultaneously, building up in the pronouncements of sectoral interest bodies, employers' organizations, as well as actual politicians (preferably across parties), the idea begins to spread that society as a whole would benefit by, say, a strengthening of the currency through high interest rates and combating inflation. To the extent this perspective succeeds in taking hold beyond the sphere of its organic proponents like banks and insurance companies, and acquires the elusive quality of a 'truth', the owners and cadre of other fractions of capital (big and small industry, wholesale and retail trade, shipping and other transport etc.) start defining their immediate prospects in the context of the high interest/low inflation framework. Thus, industry may come on board the emerging bloc of interests by shifting from an export to a foreign investment strategy etc.

The framework of interest articulation that a concept of control refers to is not a step-wise ascent from an economic starting point. It feeds on public debates that may have no immediate connection with the economy at all, such as anti-immigrant sentiment or war-weariness. Such drifts in the public mood, whilst always part of the real configuration of forces and therefore never random quirks of fate, may link up with more economic themes, say, the need to weed out excess state expenditure; and through that connection meet the high interest/low inflation push emerging from the economically successful 'money capital' fraction and the fractions regrouping under its leadership. Here, economic determinations merge with general attitudes encrusted in the upper layers of society as well as in the population at large. What is established once a specific concept of control takes shape is always implicit rather than explicit, a framework for thinking rather than a positive programme. It is what Bourdieu calls 'a

field of the politically thinkable', a 'legitimate problematic' (Bourdieu, 1979: 465).

As certain classes of people are emboldened by the feeling that society as a whole is steering in a definite direction, while others are becoming disheartened, spaces are created for actual intervention by class-conscious (or should we say, 'fraction-conscious') intellectuals; from letters to the editor to smear campaigns, the launching of certain politicians as 'statesmen' and the disqualification of others as irrelevant, marginal figures. Thus the current 'greying' of the societies of the capitalist heartland is half public perception, half based on a strategy of insurance companies to further privatize the pension industry and reduce actual pay-out levels in the process. The simultaneous 'rejuvenation' of the population by immigration receives much less attention, except as the basis for launching political alternatives from the right in case neoliberalism further loses its shine.

As Bode crucially emphasizes, even the forces at the heart of the bloc that lends economic logic to a concept of control (in the example, a group of banks, brokers, insurers) have to pay a price for their private interest to be successfully presented as the 'general interest' of society as a whole. It is not a matter of 'what is good for General Motors is good for the US as a whole'. The guiding forces in fact can no longer pursue their private interests nakedly or directly because, in the build-up to a broader coalition in which ever more fractions of capital and segments of society become included, the immediate requirements of 'bank' profitability are at least partially suspended.

Control of money-laundering may be an aspect of the comprehensive concept, and as a result individual banks may not feel they are running the show at all. Or to take another example, a US world strategy built around long-term energy security and control of the Middle East cannot operate through private connections between a fraudulent energy company and the White House, but must actually clamp down on such 'weak links' at the heart of the configuration of forces supporting it, as the Enron affair testifies.

A concept of control hence captures

- the connection between the process of fractional and class realignment, highlighting the pivot around which it revolves in terms of fractions of capital (which can be an 'accumulation strategy', say, the mass production of consumer durables as in Fordism, but also, as in the case of neoliberalism, a tax revolt expressing the middle class refusal to continue to fund the welfare state); and
- the process of bringing on board other interests as the original vanguard strives for comprehensiveness, synthesizing or compromising with, and ultimately crowding out, other concepts.

Politicians and civic leaders have to establish this connection, so the quality of leadership is crucial, they are not mechanically produced by the 'objective' situation. In the end, they must fill the spot that is left open at the political and most volatile end of a concept of control striving for comprehensiveness, the moment of arousing the passions and deeper feelings of a majority that adds the necessary mass basis to a concept of control and makes it truly comprehensive; the ascendant bloc's ambition to guide society's course of development can always be deflected and disintegrate.

Applying the Method

Cox's *Production, Power and World Order* of 1987 offers, among many other things, a 'cookbook' approach to setting up a research project in this tradition.

The steps to take are the following:

- Identification of the social relations of production (from peasant/lord to tripartite corporatism) which in a particular combination provide the ground floor of the social process, the patterns of work which together define which classes of people work for which others, by which means the exploiting classes obtain

their share in the social surplus product

- The profile, historical background (conditions of their rise) and mentality of these 'candidate ruling classes' and the particular conditions under which they reproduce the social relations of production under their control (with particular emphasis on the balance between coercion and consent)
- Identification of the historical bloc which is constituted in the political struggle, which class on the basis of which set of social relations of production leads the process, whether it is hegemonic (relations of production that depend on cooperation and a pattern of rule centring on consent) or not.
- Forms of transnational extension/interpenetration of the constitutive elements in civil society that allow one state/society complex to extend its influence over another
- Identification of the resulting world order as *hegemonic* (if the consent element in the transnational extension predominates) or *non-hegemonic* (if coercive elements preclude transnational civil society/hegemony) (Note: Realist hegemony would be an example of non-hegemonic world order by this standard)
- Investigation into the possibility/actual operation of something like a *counter-hegemony*, that is, the welding together of different strands of resistance/opposition into a potentially hegemony coalition of forces (capable of engaging in a 'war of position' strategy to gain power).

10

Freudianism and Post-Structuralism

The post-structuralist mutation in social theory has a longer history but I see its key sources in two intellectual legacies. One is Freudianism, the idea that the ills of society crystallise in the individual's psyche and have to be cured there; the other is the resistance to egalitarian mass society, in which this individual appears to lose its separate identity. This second root is perhaps best associated with the thinking of Friedrich Nietzsche.

Freud fled to Britain and many Freudians migrated to the United States to escape the Nazi terror in the 1930s. In Germany, Freud's thinking had by that time been absorbed, among others, by Marxists dissatisfied with the economistic undertow of the Marxism of the Second (mainstream Social Democrats) and Third (Soviet) Internationals. In the migration across the Atlantic, this Freudian Marxism, the 'Frankfurt School', was an important strand. In the 1960s, some of its most prominent representatives, such as Herbert Marcuse, became icons of the student movement that exploded in 'May 68'. Others wanted a more complete break with Marxism and it was out of this more radical strand, in combination with the anti-egalitarian individualism of Nietzsche and his mentor, Schopenhauer, that post-structuralism formed. Its success in the 1980s and 90s had to do with the heightened individualism that resulted from the neoliberal economic policies of the epoch, which still today have a powerful hold on the dominant ideology.

In this chapter we look first at the legacy of Freudianism and the Frankfurt School. We then turn to the approach associated with Michel Foucault, who sees power as exercised through language and discourse. Finally we turn to the notion of post-rationality, the idea of randomness and contingency taken to its logical conclusion.

1. THE FREUDIAN LEGACY

In key respects, post-structuralism was a product of the May 68 movement and the role played in that tumultuous event by bureaucratic-representational socialist/communist parties and trade union organisations. The French Communist party, notably, saw the upsurge of social contestation at the time as a chance to improve the material position of the working class, very much in the way in which the Popular Front movement in which it participated in the 1930s, had resulted in the Matignon agreements which brought a shorter working week, higher wages and paid vacation to the French working class. Factory occupations, let alone Flower Power and sexual liberation, were not things the party machine was particularly keen on. In the circumstances this led it to try and keep the student movement, in which these themes were floating around freely, away from the workers' movement. Here the party and its powerful trade union, CGT, exerted real influence. In these circumstances a group of intellectuals broke with the Communist



Party on the grounds that there was no point in exchanging a bureaucratic capitalist machinery of control, for a bureaucratic machinery of control operating in the name of socialism.

One key intellectual resource mobilised by this heterogeneous group was the legacy of [Sigmund FREUD](#) (1856-1939), the founder of *psychoanalysis*. In his psychiatric practice and theoretical work, Freud developed themes distilled from individual patients' histories into sometimes spectacular theories of

civilisation and society. His work inspired the 1930s Frankfurt School of Marxists as well as later developments such as the work of Deleuze and Guattari.

De-Centring the Subject

Psychoanalysis can be argued to have emerged when the bourgeois family in the West lost its function as a commodity-producing unit in the reproduction of society (a function shifting to the factory employing wage labour). The family now developed into a refuge in which an older, less cruel and demanding life, could perhaps be preserved. Personal relations, 'privacy' in this way became abstracted from society, the public sphere. Freud's theories aimed to gain insight into the construction of *identity* in this context.

Freudianism, writes Yuri Slezkine (2004: 319), shared key concerns with Marxism about the ills of urban capitalist society.

The salvation it promised, however, was strictly individual, always provisional, and ultimately dependent on marketable professional enterprise. Freudianism aspired to be the religion of modern capitalism as much as Marxism aspired to be the religion of anti-capitalism: it appeared to provide a scientific justification for the liberal focus on the incorrigible individual; applied the tenets of political liberalism to the mysteries of the human soul; applied the American Declaration of Independence to the religious search for personal redemption. The pursuit of individual happiness – like the maintenance of a decent society – turned out to be a matter of managing imperfection, of imposing fragile checks and balances on ineradicable internal pressures.

Let us look at what these pressures are and how Freud conceptualised them (cf. relevant texts in the [Freud Archive](#)).

Modern bourgeois society, and one major strand of theories it brings forth (our subjectivist theories), are constructed around the conception of the *Ego*, the 'I' first recognised in this sense by Descartes in the 17th century. Conceptions of the private (life, property, interest) are grafted on this ego, and both the development of commercial society and capital, and theories of rational subjectivity, can be traced back to it.

Freud in his studies took the position that the 'Ego' one encounters is not a unity but a fragmented construction. It unifies, in a concrete, single person, certain attributes of identity which are passed on to the child growing up in a family (and attending school and other instances of socialisation) through which society impresses itself on the individual. The authority of the father in this way transfers social authority (of the state, the church, etc.) Freud calls this the *Super-ego*. But there is also a force at work in the Ego which he designates as the '*Id*', Latin for 'it', the life-force as such. As a result, the subject is de-centred into a three-dimensional entity, in which the Super-ego 'over-determines' the Ego, which rests on the Id as its substratum.

Freud argued that this composite subject is no longer driven by instincts alone – instincts that provide the inborn reflexes through which an animal adapts to its surroundings and which ensure its reproduction. Instead, a specifically human force, *Eros*, (after the Greek god of love) is at work here – not just as sexuality, but also more broadly as social action, fantasy, creativity, etc. However, the lust for life is accompanied by its opposite, the death wish, from the Greek, *thanatos*.

Freud locates the subject's drives in the context of the family and the process of growing up. In fin-de-siècle Vienna, Freud's practice brought scores of young women to his psychiatrist's couch. They were often subject to 'hysteria' and repeated fainting (according to cynics, because they could not breathe in their tight corsets fashionable in the upper and middle classes at the time). The women revealed to him a shocking catalogue of sexual harassment by their fathers, but after the initial elation about having found the clue to their psychological condition, Freud soon had to conclude that in most cases he had been told their fantasies rather than their real experiences.

This led him, paradoxically, to a better explanation: that the erotic-libidinal identity of the young person develops through the complex interaction between child and parents. Certain desires, such as the young girl's arousal of sexual feeling for the father and hence rivalry with the mother, and the same for the young boy's lust for his mother and hatred of his father, within the family are repressed and displaced to the

subconscious, a level in human consciousness where feelings of shame and guilt, affection, etc. are stored once the *pleasure principle*, the idea of instant gratification of libidinal desire, is repressed by the inculcation and acceptance of the *reality principle*. This is the realisation that there is a society out there in which you cannot always have what you want. Thus the Super-ego is integrated into the Ego, the Id is tamed, and ideally a balanced, mature personality emerges at the end of the line.

The *neurotic*, in whose personality this balance is not achieved, according to Freud not only tells the story of his/her own personal life. In fact, the personal life-history repeats an anthropological 'story' which Freud reconstructed in a series of writings between 1912 and 1939 (*Totem and Taboo*, *Civilisation and its Discontent*, and *Moses and Monotheism*) as the common background of the individual neurosis. Freud also does not fail to note that the inventory of all myth and religion tends to revolve around particular versions of this grand story.

- It begins with the original human horde, which is ruled by the all-powerful father, who is entitled to all females in the horde, and who is the father of all the young. He rules with terrible brutality. To the other men (brothers, sons) this rule includes their castration or their being driven out to live on their own.
- The next step in civilisation is that the brothers club together to kill the father. After killing him, they eat him in a ritual act to appropriate his qualities, an act in which hatred and rejection and the expression of admiration and honour, are conflated.
- Next, the brothers, fearing a fratricidal fight over succession, agree a social contract which prescribes that the men renounce the claim to be the ruler, and renounce the right to marry mothers and sisters (the incest taboo). The original father however is revered in the form of a *totem*, a sacred animal or other token which signifies the origin of the group. The totem is honoured with dedicated festivals but also ritually eaten, testifying to the ambivalence of the attitude towards the father figure (totemism) (Freud, 1967: 102-4).

Freud's thesis is that this original story is the counterpart of the individual life-cycle. His psychological practice led him to the conclusion that a child experiences all kinds of sexual emotions until around the age of five, after which (as a result of the mutation from animal existence and the need for a longer period of learning and training, *neotenia*) the so-called latency period sets in. In puberty, sexuality resurfaces for reproductive purposes, but its content (sexual orientation and complexes) in the case of each personality has by then already been determined by experiences, including traumas, incurred during the first five years. This individual story is broadly a repeat performance of the original anthropological one.

As a result, the original fearful admiration of the all-powerful father, which in girls is expressed in sexual desire for the father, and lust for the mother on the part of the son (but compounded by fear of castration by the father), can result in traumata, inhibitions and phobias if not properly balanced (Freud, 1967: 94-6). The technique of *psychoanalysis* is to try and reach the part of memory (the subconscious) that goes back to the first five or so years by letting a patient relate his/her anxieties by way of free association, and thus find the source of any neurosis.

Whether the anthropological narrative stands up in light of what we know today, is one thing. But what is very plausible (and is supported by the work of psychologists like Jean Piaget), is that the sedimented history of the human species and the evolution of its social forms, is somehow inscribed in the development of the personality.

Libido, the emotional force that drives the human being (and which is not to be equated with sexuality only, but with a lust for life generally, like Eros) also has an economic aspect. Freud writes that it is expressed in the vital role of work for the development of the personality.

No other technique for the conduct of life binds the individual so firmly to reality as an emphasis on work, which at least gives him a secure place in one area of reality, the human community. The possibility of shifting a large number of libidinal components—narcissistic, aggressive, even erotic—towards professional work and the human relations connected with it lends it a value that is in no way inferior to the indispensable part it plays in asserting and justifying a person's existence in society (Freud, 2002: 22 note).

This idea has also been interpreted differently, by not seeing work as such as libidinal economy, but by assuming that the libido must be suppressed, displacing the drive to other, more 'worthy' preoccupations. This was taken up by the thinkers of the *Frankfurt School* in the 1920s, the first group of Marxists who tried to synthesise the legacy of Marx (emphasis on society and classes) with the legacy of Freud (emphasis on the personal and the psychological).

Anti-Fordism : The Critique of Consumerism

The Frankfurt School (the Institute of Social Research at the University of F.) was founded in 1923 but is primarily associated with [Max HORKHEIMER](#) (1895-1973), who became its director in 1930 (pictured left) and with [Theodor ADORNO](#) (1903-1969). (The man scratching his head is Jürgen Habermas).



The Institute brought together a range of scholars concerned with how contemporary capitalist society affected the personality. [Wilhelm Reich](#) (1897-1957), who developed a Freudian Marxism based on the analysis of the libido, was not part of this group but not less important.

The use of Freudian insights (repression, libido, identification...) by the Frankfurt School thinkers to account for the often erratic, or at least unexpected ways in which people dealt with the experience of crisis and rapid social change, extended the application of dialectics to the entire range of individual and social psychological processes. Uncovering the paradoxical turns of the collective mind-set in response to capitalist development and liberalisation. Erich Fromm's title 'Fear of Freedom' thus suggests that freedom is in fact an often threatening condition, to which people may respond by fighting for the social bonds, however oppressive, they feel protected by.

Horkheimer and Adorno in their *Dialectic of Enlightenment* of 1944 (sample chapter) argue that it is not enlightenment, but totalitarianism which looms at the end of the road of liberal-capitalist development. In exile in the United States after Hitler closed down the Frankfurt institute, the refugees had reason to reflect on why, if a capitalist crisis like the Great Depression struck, people did not rally to socialism but to the violent attempt to uphold the existing property regime by fascism. But they were no less horrified by what they saw as the breathtaking emptiness and superficiality of American consumer culture.



copyright Marcuse family

Herbert MARCUSE (1898-1979), another prominent member of the Frankfurt School, also fled to the United States but unlike Adorno and Horkheimer, he remained there. Marcuse would become the icon of the May 1968 movement.

In *Eros and Civilisation* of 1955 Marcuse develops Freud's idea that the inhibition of the primary instincts produces civilisation. However, he tends to subsume Freud's insights into a materialist ontology again.

The metapsychological implications of Freud's theory go ... beyond the framework of sociology. The primary instincts pertain to life and death—that is to say, to organic matter as such. And *they link organic matter back with unorganic matter, and forward with its higher mental manifestations*. In other words, Freud's theory contains certain assumptions on the structure of the principal modes of being: it contains *onto-logical* implications (Marcuse, 1969: 94, first emphasis added).

Note how the connections here are ordered between unorganic matter, to organic matter, to 'higher mental *manifestations*', i.e., the classical naturalistic-materialist position. The alternative is to assume that *society* is the medium through which ideas are formed relatively independently of the natural foundations of life or the economy; they are not the highest

form of matter.

Marcuse's work, like Adorno's and Horkheimer's before him, focused on the failure of the workers to actually revolt against the capitalist order. Consumer society corrupts the working class and turns its members from workers into consumers. *Not the libidinal aspects of work, but those associated with consumption, are what drive people and this disables them as revolutionary subjects.*

In *One-Dimensional Man* of 1964, Marcuse articulated his disillusion with this corrupted working class. Instead he placed his hopes in a motley collection of marginalised groups, schizophrenics and other socially disqualified people. This became one of the themes in the 1960s student movement. The idea that declaring somebody mentally ill is a form of social discipline, and that illness should be treated not in an asylum but by changing society, branched off into a field of its own, with 'anti-psychiatrists' such as R. D. Laing and Thomas Szasz in the forefront.

Libidinal Political Economy

Freud's idea of libidinal economy is also taken up by Gilles DELEUZE (1925-'95)



and co-author Félix GUATTARI (1930-'92).



Deleuze and Guattari see society as a complex of energy flows that are driven by libido. In a foreword to the essays which Guattari wrote between 1965 and '70, Deleuze argues that a new conception of the subject, a new group subjectivity, must be developed to understand the

structure of society. Guattari's essays document their rejection of a straightforward, linear class model of exclusive belonging: you are either on the capitalist side, or, with the party, on the worker's side.

In the May movement, the French Communist party had denounced the rival left formations that sprang up everywhere around it, as *groupuscules* (tiny little groups). In his essays Guattari makes the statement, 'we are all groupuscules' by which he means that one can belong to a range of groups without ever being entirely enclosed in one. These multiple small groups can change and dissolve, and a person moves through them as they (the groups) communicate with each other. Because all groups are open to each other and none of them can claim to represent/offer complete security and protection, or being a force on the high road of history or even for eternity, *the reality in which individuals move is fluid and the individual itself is a 'groupuscule'* (Deleuze in Guattari, 1976: 7).

This goes back to the original Freudian idea of the de-centred subject. It also identifies the potential schizophrenia in these multiple memberships and the fragmented and elusive nature of the identity of the subject. The Ego and the Superego come about in this confusing mishmash of constitutive forces; not, says Deleuze, in the family (not primarily). Our loves and choices of partners etc., he argues, 'derive less from a mythical Mummy/Daddy than from a social real, from the interferences and effects of flows which have been libidinally captured' (Deleuze in Guattari, 1976: 8). Why bother about a castration complex (a Freudian psychological condition) if the tasks of repression are taken on directly by the state? (the example given is the state of Soviet-style socialism).

These are the themes raised by Deleuze and Guattari and to which they provide the answer that social problems (and issues of political economy) do not manifest themselves in the subject through his/her growing up in a family, but *are directly present in the constitution of the subject's identity, socially*.

The wish as libido is everywhere and is always already present, sexuality penetrates the entire social field, interconnects with it, is coincident with the flows that are at the basis of objects, persons and group symbols, whose intersection and constitution are dependent on it themselves.... Thus the political economy as such, the economy

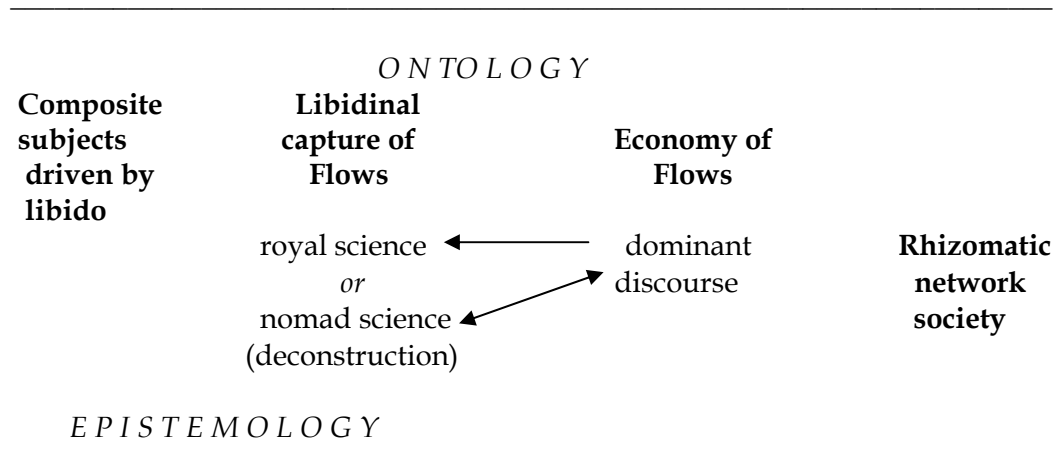
of flows, is subconsciously libidinal: there are no two economies; *the wish or libido is nothing else but the subjectivity of political economy* (Deleuze in Guattari, 1976: 10).

Teresa Brennan in her book, *The Exhaustion of Modernity*, takes up this theme by claiming that contemporary capitalism has succeeded in mobilising the infantile desire for instant gratification (the baby's desire to be fed by the mother's breast) by consumer credit and other means. Thus it works to effect a more general infantilisation of society which is organised around the pleasure principle and rejects the reality principle (Brennan, 2000).

The ontology of this strand of post-structuralism thus presents the image of a world of socially fragmented individuals (people with manifold roles and identities: one is a respected doctor or a stock broker in the daytime, a gambling addict or 'blade runner' at night). Drivers and triggers work on this subject from all sides, inside/outside. Manuel Castells' idea of a network society is a 'light' version of this multi-dimensional universe. Deleuze and Guattari in their later work compare the network society to a *rhizome*, the root systems of mushrooms, which are not systemically subdivided like tree roots, but are randomly interconnected webs, through which nutrients likewise pass randomly. In terms of epistemology, they claim that mainstream knowledge, or *royal science*, is confronted by *nomad science*. This is the free-flowing, uninhibited exploration of theoretical space by the roving element that faces the fixed positions in which the dominant discourse has entrenched itself.

In our figure, the post-structuralist strand would look like the following. A few terms such as discourse (Foucault) and deconstruction (Derrida) from sections that follow, have been added to give body to the epistemological side, which here should be identified as such; 'history' as a comprehensive structure in which humanity evolves, in this tradition tends to be dismissed as a 'grand narrative' (Lyotard, cf. below) that only leads to bloodbaths.

Figure 10.1. The Freudian Lineage of Post-Structuralism in GPE



As all figures, this can only be a tentative one. Post-structuralism is even more difficult than other approaches to pin down because it evades or even rejects a systematic exposition of its own principles, and in that is not a single approach, but a field.

2. DISCOURSE AND POWER

The struggle against the ideological hold of an ossified party Marxism over the Left also stimulated reflection on how the ability to craft a particular political language is itself an aspect of power—ultimately, the power of liberal capitalist society in which everything today has become immersed.

Language and Semiotics

In the twentieth century, neo-positivism came to rely strongly on new developments in the understanding of language. The study of language as a system of meaning and communication systems was placed on a new foundation by the Swiss linguist, [Ferdinand de SAUSSURE](#) (1857-1913), at the beginning of the century.

It has to be stressed that this was a deeply *structuralist* enterprise (influencing the structural anthropology of Claude [Lévi-Strauss](#) among others) that only later became part of the post-structuralist strand via Foucault. Since Saussure is concerned primarily with the accuracy of meaning and the rules of communication procedure through language or signs, his insights filtered into neo-positivist thinking about meaningful statements.



The science Saussure established is called *semiotics*, the science of all communication systems other than natural languages—the science of ‘signals, signs and symbols’ (Mounin, 1970: 226; cf. 7). But since we will interpret these signs always in language terms, the one cannot be separated from the other (cf. Saussure’s [Lectures on General Linguistics](#), 1910).

Language and communication are made up of the following elements.

- The parties between whom the communication takes place: somebody ‘makes a sign’ intended to be recognised by an intended receiver, who will be influenced by it. The signal and its effect can be *intentional* or *unintentional* or a combination of both: when we blush when we say something, we give a signal we may not have intended to add to what we said. The same with intonation, body language, but also choice of words.
- This sign can be part of *temporal sequence* or set in a *spatial* context. Language has a time dimension, we have to wait for a sentence to be finished or almost, or a line to come to an end, before we know what is meant. A pictogram, on the other hand, a diagram, or a map, we take in at once as a single image.

- In every message, there is a *signified aspect*: that which is being conveyed by (sign) language; and a *signifier*: the word, the picture. Many words or signs are imbalanced in this respect in the sense that there are signifiers which are widely used but not necessary refer to something we can unequivocally identify. The word 'freedom' for instance is sometimes referred to as an 'empty signifier' although it tends to be highly emotive. According to Saussure, a sign (word, sound) is *arbitrary*. The word 'horse' has no inherent connection to the animal (if we would use 'knurk' to denote it, nobody would complain as long as everybody is aware that it refers to what we now know is a horse). Clearly this poses a fundamental problem for restoring a connection between a word, let alone a more complex statement, and the aspect of the world it refers to. A sign is also *discrete*. Where 'horse' ends, and 'cat' begins, is equally clear. A *symbol* on the other hand is not arbitrary and its limits are not drawn neatly either (Mounin, 1970: 70). When a leader's statue presents him on horseback, this symbolic attribute usually means to evoke an association of power which would be lacking if he would be represented sitting in a chair with a cat on his lap. It becomes more fuzzy when for instance Dutch queen Emma's statue in Amsterdam pictures her on horseback, but not on a war horse but an elegant riding horse.
- A natural language is made up of two types of units, it is 'doubly articulated' (Mounin, 1970: 43, 77): *units of meaning*, 'morphèmes' in Saussure, from the Greek for 'form' (the actual words, 'first articulation'); and 'phonèmes', *sound units* ('second articulation'). A natural language works as an optimal code because with some tens of phonemes and several thousands of morphemes, billions of messages are made possible in the most economical way.

Even if taken apart into its components and separated as above, language poses enormous problems for the neat procedures envisaged by the neo-positivist thinkers. If the aim is to lay down the rules for what constitutes an unequivocally meaningful statement, a natural language is about the worst possible medium to use. Leibniz already argued that ultimately, real science would be expressed entirely in numbers, and the

preference for mathematics in science, justified or not, expresses the same sort of exasperation with language.

A natural language is subjective and emotive, it is an expression and reflection of the reality as a subject lives it. Whereas a 'code' (say, for horse we use knurk) is closed and explicit, language is implicit, full of hidden messages and loaded with symbolisms (intonation, gesture and other body language are ways in which symbols are enmeshed into a message). Also, the natural language is always in development and infinite in its uses—new words, new ways of using words, new associations. Yet we treat and teach language as if it is a closed system, a finite collection of words and rules (which is why the linguist, Noam Chomsky, has famously claimed that we can establish the rules of any living language on common principles) (Mounin, 1970: 82).

Adam Smith already wrote about language and there is also an important strand of thought in the pragmatist tradition which sees language as a set of speech and communication *habits* (a key term in the pragmatist/institutionalist tradition). The pragmatist, Charles Peirce, is important here (Mounin, 1970: 57-9, 202, cf. our Chapter 5).

Discourse, Truth and Power

Through [Michel FOUCAULT](#) (1926-1984) semiotics was made part of an analysis of structures of power.



Foucault's thinking incorporates key insights of the lineage discussed in section 1 concerning the shaping of a person's identity and the imposition of authority on it, the aspect that Freud called the Superego. Deleuze was one of Foucault's students; he certainly completed the leap from structuralism (which is still very strong in Foucault) to post-structuralism.

In Foucault's history of ideas, every age is seen as producing a

particular intellectual horizon, or *episteme*, before which truth is conceptualised and translated into social practice and power over it. Each age in other words has its own 'truth', a dominant truth against which it is difficult to rebel without coming into conflict with the power structures of society (cf. first three chapters of *The Archaeology of Knowledge*, 1969; and Selby, 2007).

The routinisation of certain language patterns and discourses is made possible thanks to a reservoir of accepted 'wisdom' which underlies day-to-day judgements (Gramsci's 'common sense'). As Wertheim has argued (1977), there certainly exists a *counterpoint* to ruling ideas, but it is usually not present as an alternative, coherent set of ideas, but as sayings, jokes, folk songs, and slang. But just as we would not assign a label like 'truth' to sayings, folk songs etc., so post-rationalism denies the claim to truth to the alternative—officially enshrined rationality, produced by Deleuze's and Guattari's 'royal science' (cf. above). This denial rests on the *dismissal of the claim to objectivity*, not on formal grounds (a folk-song is a valid a source of truth as is the Encyclopaedia Britannica).

Now if the world of 'things' is so comprehensively enveloped in 'words', it may well be that the things are not what they seem either, and indeed may not be things to begin with. Here we encounter a radical re-interpretation of the very idea of the objectivity of the social structure, a deepening of the critique of (social) reality that was already begun by institutionalism, constructivism, and other approaches.

The state for instance, at one extreme will be understood as such a 'thing', a fixed structure. As we saw, this was challenged already by Poulantzas and others. Slavoj Žižek takes this critique of the objectivity of social structures further by his notion of a 'sublime object', a term originally coined by the post-Freudian psycho-analyst, Jacques Lacan. In Bratsis' words (2006: 22), 'Beyond the physical characteristics of an object, an abstract quality, one secured by the symbolic order, can come to be ascribed to it—raising the functional status of that object to an acute level of ideological importance' (cf. Vighi & Feldner, 2007).

The concept of the state is such a *sublime object*: its importance derives

from its place in the order of things, its representation in discourse, and the hold of that discourse over people's minds. Hence the state is not an objective reality in its own right (a collection of state apparatuses), but it is (re-) produced in social practice, in everyday life. Here the essential demarcations of the state's domain (the distinction between public and private, politics and the economy, the domestic and the foreign) take shape and are reproduced (Bratsis, 2006: 23).

Occupying a particular terrain by successfully introducing a discourse to describe and situate it in a context and connect it with definite (positive or negative) associations, is a key factor in establishing these demarcations. Thus a privatisation policy is made successful in part because of the effective association of 'private' with efficient, unburdened by bureaucracy, fast and result-oriented, and so on. As a sublime concept, 'private' can be moulded by words to a considerable degree.

In the same way, 'reform' and 'change' are subject to such word-play and changes of meaning and association. In the hegemonic discourse of the 1970s (following on the student and workers' revolt), the use of the terms reform and change served to satisfy the groundswell of desire for a more profound social change, because the class struggles of the period fed the idea that true democracy was only possible by seriously limiting private capital's grip on society, or even transcend capitalism altogether. Reforms included socialising slices of corporate profit (wage-earner funds and comparable proposals), reinforcing co-determination structures in the corporation, and other means of rolling back the discipline of capital on society.

In the neoliberal counteroffensive of the 1980s and 90s, an important role was played by changing the practical association of reform. Indeed its thrust was entirely reversed, although it retained the more fundamental association of shaking up encrusted structures. So the idea breaking up the old order that animated the May 1968 movement was retained, but it was now applied to deepening the discipline of capital. Reform now meant the opposite of what it meant a decade before—privatisation, liberalisation, flexibilisation of labour and reducing social protection. Change is the process in which reform never ends, although

cynics have commented that the daily use of 'change' also serves to suggest speed and purposefulness when there are no actual proposals to make and those in charge don't even know where to go except that they should not be seen doing nothing. If the mood that change is ongoing, takes hold, the idea of resisting existing circumstances and changing society is made meaningless: change is already at the heart of the government programme!

The point to retain is that the ability to mould the discourse and ensure its broad adoption in society, is a key aspect of power. With 'truth' we don't get very far in analysing this; the truth is that reform in the 1970s meant something opposite from how it is used today, *there is no objective standard somewhere outside the actual social process against which we can measure whether social-democratic reform or neoliberal reform go to the heart of what reform means*. One aspect of this is that in the exercise of power through discourse, there is a preference for 'empty signifiers' of which the meaning can be inflected in all kinds of directions—freedom, progress, reform, change, the general interest, universal well-being, the peace process, human rights, humanitarian intervention, ...and so on.

3. POST-RATIONALITY

In many ways, post-structuralism is already announced in constructivism (intersubjectivity) and in institutionalism with its idea of random habit formation. Indeed in our first few chapters, the idea of a rational subject was more and more eclipsed while going through the different subjectivist theories: from Rational Choice to Weberian action theory and on to institutionalism. By several steps, the rationality of self-interested utility maximising is replaced by instrumental + value rationality, and then further by habits. So in a sense, there is nothing new in claiming that the notion of the rational subject can be subverted, because this occurred in the development of subjectivist theories itself already.

But how about the objective world? If rationality (conceived loosely as a 'logic', a principle of order) is not in the subject in one way or another, can we accept that it is not in the objective world either?

Rationality as a Function of Power

One key element in post-rationalist thought is that claims made about the objective world are themselves an expression of power relations, and cannot be assumed to have any status outside of them. The objectification of the political economy, [Daly](#) (2004: 1) argues, 'has to be considered in strictly hegemonic terms; terms that... are the condition of possibility for a politicisation of political economy.'

Politics in other words occupies a position of supremacy here, for there is no way in which a truth can exist and be accepted as such on a meaningful scale that would basically contradict existing patterns. Critique, then, turns into critical practice which cannot possibly be confined to the realm of contemplative thought. This idea of truth as power, developed by Foucault, is at the basis of his understanding of how a governing discourse operates.

Rationality in this perspective is itself an aspect of rule. Laws in the scientific sense and laws in the juridical sense are not just using identical words by accident, but in Foucault's terms, 'one of the Enlightenment's tasks was to multiply Reason's political powers' (quoted in Amin and Palan, 2001: 563). Indeed, as Daly writes, the materialist understanding of political economy, interpreting society as a straightforward emanation of nature, via the economy, established a continuity between objective rationality (nature) and subjective rationality (self-interested utility maximisation).

As the figure of God progressively receded, the thinkers of the Enlightenment began to put their faith in the analytic discovery of founding principles for the construction of a rational social order that would in turn secure the conditions for secular emancipation. Such principles became the essential focus for an emerging 'natural science' of political economy. If the medieval period was dominated by a theological project of interpreting God's laws, the success of the new age was seen largely in terms of working with what were perceived as the underlying laws of economic reality. In this way, the economy was idealised as an object of first principles, of *a priori* foundation, around which it was rationally and morally incumbent to construct society (Daly, 2004: 1).

In classical political economy this was still entirely explicit; between its materialist ontology and the 'correct' subjective rationality there existed no discontinuity or inconsistency. To Smith, political economy actually constituted 'a branch of the science of the statesman or legislator', which would allow *rational government* (quoted in Daly, 2004: 2). This illustrates what Foucault means when he sees rationality as part of the state's extended reach in society.

Marxism broke up the continuity and consistency of materialist political economy, throwing into disarray the notion of the naturalness of market economy and the rationality of 'economic man'. This opened the field for indeterminacy which the post-structuralists have taken to its extreme. For Marxism, rationality is historical: what Hegel calls the 'world spirit', the rationality of the world, is turned into a *result* of the historical process, rather than its presupposition. In post-structuralism, however, the world as it is (being experienced) and the subject's mental powers in coming to grips with it/with the experience, are rational only in the immediate, temporally and spatially bounded, encounter of subject and object. There are continuities here with hermeneutics. In the footsteps of Martin Heidegger's notion of 'destructive retrieval', which strips experience of superfluous philosophising and retains the primordial from which real insights flow (Odysseos 2007: 46), Jacques [Derrida](#) developed his method of *deconstruction* (see '[What Is Ideology](#)' from *Spectres of Marx*).

This easily leads to a return to subjectivism altogether. Thus Amin and Palan argue that constructivism and institutionalism, from different angles, prefigure what they term a non-rationalist approach (what I prefer to call post-rationality).

- In hermeneutics and radical constructivism (a constructivism denying the existence of an objective referent and only recognising socially constructed reality), post-rationality is contained in the acceptance that reason is intra/inter-subjective (Amin and Palan, 2001: 564-5)
- In institutionalism, habit of mind already suggests we are moving away from anything like a measurable truth. In post-rationality

this is then developed to its final conclusion: truth as practice, the habit of accepting a particular line of thought as true. 'All we have ...are contingent truths, based on cognition through enactment and dwelling in the world, as well as through highly contextualized cultural filters', 'truth as institutional recurrence' (Ibid.)

The very idea that truth/knowledge is the result of a movement of some facticity from the objective into the subjective realm, has been dropped here.

One line in post-rationality is therefore towards extreme subjectivity – to everyone their own life-world, experience, truth. The other is to refer back to the Freudian lineage (discussed in section 1), and see the interconnections, networks of action, encounter, and perception, as premised on libidinal flows.

As Daly notes, action itself, acts which (re-)produce power, 'politics', cannot possibly be an entirely subjective undertaking. They are *a systemic effect of disturbance which brings to light the non-naturalness of society*, the fact of its being engaged in the process of its own re-making. Action may be driven by libido and can therefore not be understood as political (or economic) but only as *a totality of existence reflected in the libidinous drives* of humanity and therefore requiring, for its understanding, all the traditional fields of social science plus literature, aesthetics, linguistics, history of art (Amin and Palan, 2001: 566-7).

This takes us to the very end of the enterprise that began with lifting out the economy from the social whole in theory and practice (capitalism in real life and economics in academia). It does not mean that it is the conclusive end: the very notions of post-structuralism and post-rationality rebel against their being cast as the ultimate truth. All approaches discussed are (if not in equal measure) necessary to be studied and critically assimilated to obtain an understanding of the shifting grounds of history and how its lived and experienced. Each on the other hand also has regressive and sectarian aspects which hinder the grasping of the world around/inside us, and post-structuralism is no

exception. This takes us to the anti-modernist undertow in this (field of) approach(es).

Post-Modernism and Anti-Modernism

The Enlightenment was about establishing the authority of the modern state and with it, the establishment of an incontrovertible, authoritative rationality with its claim to objectivity (albeit either in the subject or in the object). The contemporary experience, in which the maxim of 'people making their own history' has become central, is (in Daly's words)

characterised by the steady erosion of the logic of necessity that we find in orthodox Marxism. This movement is most notably associated with "postmodernists" like Foucault, Lyotard and Derrida, among others, but is also reflected in such thinkers as Gramsci, Hilferding and paradoxically Marx himself' (Daly, 2004: 5).

It has been accompanied by an undertow of anti-modernism that goes back to fin de siècle romanticism, exemplified notably by the figure of Nietzsche.

[Friedrich NIETZSCHE](#) (1844-1900) followed in the footsteps of [Arthur Schopenhauer](#), who after initial attempts to join the ranks of the great philosophical system builders of his generation (Hegel, Schelling and the Schlegel brothers), shifted to a new, highly literary, romantic pessimism (fragments of *The World as Will and Representation*, 1819). The literary form that Schopenhauer pioneered was that of glosses and aphorisms rather than systematic exposition, and Nietzsche took over this method. Thus he avoided the presentation of a formalised system but rather worked through ironic and iconoclastic comments on society.



Nietzsche was of the same generation, and shared the outlook of, the Italian elitists; he was a close friend of Richard Wagner for a time. Wagner

shared his anti-modernism and the harking back to an heroic age in the Middle Ages or antiquity. All these men resisted modernity throughout, not just the labour movement and grimy urban life, but liberalism and capitalism as well. Nietzsche in this sense expresses, in Deppe's phrase, 'the pessimistic mood of young bourgeois intellectuals' in the closing stages of the 19th century (Deppe, 1999: 109). Burckhardt, who as noted wrote a history of the Renaissance in this spirit, bitterly complained (as in Jaspers 1964: 48) that once material improvement becomes the guiding principle in society, a great figure embodying the 'pathos of the age' is no longer possible.

Indeed, Nietzsche's diatribes against the equalisation tendency of modern society which elevates the dumb masses ('the herd') to a position of power, and his heroisation of a supposed integral human being of the Renaissance, the *Übermensch*, articulate key aspects of this transition. In *Beyond Good and Evil*, Nietzsche identified the Jews as the primary force in the rebellion of the masses. They had succeeded in imparting a new attractiveness of life on earth by blending wealth and violence, evil and sensuality into one single concept, just as they prepared the way for the dangerous conflation of 'poor' with 'holy'. 'They mark the beginning of the slave rebellion in morals' (quoted in Slezkine 2004: 55).

Nietzsche specifically rails against the new middle class in his posthumous *The Will to Power*:

today, in the era in which the state has acquired an absurdly fat belly, in all fields and disciplines, there are, in addition to the workers proper, also "representatives"... Our modern life is extremely costly because of this mass of intermediaries; in a city of antiquity on the other hand...one acted for oneself and would have given nothing for such a modern representative or intermediary – except then, a kick in the ass! (Nietzsche 1959: 59, aphorism 75).

From this vantage point, any form of collective undertaking is suspect and a radical, romanticised subjectivism emerged from it. For Nietzsche the world is without logic, historical development, or meaning. 'Gone is the idea, so much a part of the natural law tradition, of an objective order of being and value' (Seidman, 1983: 58). Instead, 'value, meaning and identity are creations or projections of the imaginative, reasoning, or

moral activity of the free subject' (cf. his *Beyond Good and Evil*, 1886). Like many other thinkers in this strand, Nietzsche also questions the notion of the rational subject: 'The subject is multiplicity that built an imaginary unity for itself,' he writes in *The Will to Power* (quoted in Odysseos, 2007: 7; for an application of his method to the idea of Europe, cf. Elbe, 2001).

Now if we assume that *everybody* is in this position (which has to be the case if we accept the argument as a statement about the world as such), we arrive at as many different worlds as there are people; everybody is a maker of his/her own imagined universe, people float through each other's worlds on different wavelengths. Occasional shared experiences, inevitably of a fleeting nature, are the most we can hope for in terms of social bonds. Can this still be seen in terms of a historical period, a particular phase of human social existence? This takes us to the idea of *post-modernism*, the idea that we have reached a world beyond the ordered patterns of reality and experience.

To explain the appearance of post-modernism as a trend, with this reference – the reference to a stage of development of the comprehensive production process (appropriation/transformation of nature, (re-) production of social relations), the following theories have been proposed.

- Sociological theory (Collins, 1998): post-modernism expresses that stage of social development in which the sheer number of people in intellectual functions has become so large that the world they experience, is the world of words. This develops to a degree where it appears that everything is only discourse, there is no objective reality, only opinion, discourse, advertising.
- Managerial thinking: as more and more people are employed in managerial roles as supervisors and providers of mental labour, the education system has to adjust and stop disseminating grand narratives of supposed truth. Lyotard's plea for a new academic education system (cf. the concluding section) was actually written for the Quebec education authorities. People managing or employed and managed in mental labour functions cannot be

committed to a single comprehensive truth (-system) because they would not be employable. The counterpart of this is *the commodification of knowledge itself* (Giesen, 1992) which turns thinkers into experts for hire.

- Finally, post-modernism has been explained in a materialist theory by Harvey (1990). Harvey claims in this work that it is the fluidity and instability of experience generated by the dominance, within the global political economy, of financial forms of capital, which is expressed in post-modern theories from which the reference to some outside objectivity, indeed the exploitative labour process itself, has been removed.

It is important to realise that such judgements, trying to situate post-modernism in a historical context, strictly speaking cannot be made from a post-structuralist position: placing post-modernism in time implies that we claim to know the determinants of its appearance. However, for a post-structuralist, social events are primarily indeterminate, contingent and 'imagined'.

Applying the Method

The post-structuralist approach is not a 'tool' to be applied. It rather should be seen as an inflection of a range of approaches that have already been discussed in our earlier chapters. As Lyotard puts it, 'postmodern knowledge is not simply a tool of the authorities; it refines our sensitivity to differences and reinforces our ability to tolerate the incommensurable. Its principle is not the expert's homology, but the inventor's paralogy' (Lyotard, 1984: xxv; cf. 5 chapters of the *Postmodern Condition*).

Therefore, what the post-structuralists do to every theory they encounter, is to not allow this theory to become a force in its own right, that dictates our thought as if it had a fixed social existence.

This can be done by 'deconstruction' and more generally reflects what Lyotard calls a crisis of the 'narrative'. Science, he claims, has always been in conflict with narratives (basically the explicit meta-theories we have

been discussing in this text). Let me indicate how Lyotard does this by quoting a few passages from his 'Postmodern Condition' of 1979 (1984).

To the extent that science does not restrict itself to stating useful regularities and seeks the truth, it is obliged to legitimate the rules of its own game. It then produces a discourse of legitimation with respect to its own status, a discourse called *philosophy*.

This is indeed what we have been doing in this text so far. Lyotard then continues to explain (he has already indicated that the majority of perspectives have turned out to be fables) the theory prior to the post-modern is seriously compromised by its crystallisation into grand narratives that begin to live a life of their own.

I will use the term modern to designate any science that legitimates itself with reference to a metadiscourse.... making an explicit appeal to some grand narrative, such as the dialectics of the Spirit, the hermeneutics of meaning, the emancipation of the rational or working subject, of the creation of wealth (1984: xxiii)

Postmodernism, then, begins with incredulity towards these meta-narratives. To this end, Lyotard relies on what he calls 'a pragmatics of language particles', which are all around us and which our existence must hold its own. (There is strong individualist aspect to this perspective which sometimes seems to point back to a subjective rationality which is completely subjectivised, that is, the inter-subjectivity of it is discarded – to each his/her own critical theory).

The 'pragmatics of language particles' is traced by Lyotard to [Wittgenstein](#) (cf. our Chapter 3) except that he no longer seeks to trace the source of language games to culture as suggested by Wittgenstein. It gives it a status which rather resembles a karaoke performance: it lends each contribution to the language game an authentic value which cannot be reduced to anything like a culture. So the application of post-structural method stops short of tracing language to a broader culture because such a culture is seen as too static a concept to be of use. In Lyotard's words,

One is always located at a post through which various kinds of messages pass. No one, not even the least privileged among us, is ever entirely powerless over the messages that traverse and position him at the post of sender, addressee, or

referent. One's mobility in relation to these language game effects... is tolerable, at least within certain limits... it is even solicited by regulatory mechanisms, and in particular by the self-adjustments the system undertakes in order to improve its performance.

He then suggests an argument that reminds us of chaos theory (cf. our Chapter 7) in that the 'system' (i.e., the social order) treats the limited creative behaviour and spontaneous contributions of anyone participating in a language game as useful (if it does not stray too far from the axis of functional behaviour). Indeed

It may even be said that the system can and must encourage such movement to the extent that it combats its own entropy; the novelty of an unexpected "move", with its correlative displacement of a partner or group of partners, can supply the system with that increased performativity it forever demands and consumes (Lyotard, 1984: 15).

Hence the post-structuralist (post-modern) method suggests we look for the authentic utterance in a language game, and see *to what extent it stretches the functioning of the wider social system, functions within or challenges from without*, the systemic connections of which the individual is assumed to be part.

This questioning of whether thought still is part of the functioning system, and legitimates it, or whether it belongs to the sphere created by the subject for him/herself, then leads to defining the knowledge gained as the attribute of the subject, and no longer as the added increment to general knowledge. 'Knowledge is no longer the subject, but in the service of the subject: its only legitimacy (though it is formidable) is the fact that it allows morality to become reality' (Lyotard, 1984: 36).

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