

# The “new world order” hype and the new version of social-liberalism

TAKIS FOTOPOULOS

## Introduction

As it has become already obvious, the crisis of the internationalised market economy, which began at the end of last year as a financial crisis<sup>[1]</sup> (when the banks’ huge losses because of the financial bubbles have made them reluctant to lend), and consequently it has developed into a serious crisis of the real economy (when the lack of lending has pushed the world economy into a deep recession) gets worse by the day. This, despite the billions of taxpayers’ money pumped into the banking system by the political elites, in their anxious effort to save the economic elites from any attempts to nationalise the banks, as even the middle classes are already demanding. So, for the moment, budget deficits keep growing and ordinary citizens i.e., the innocent victims of the crisis are called to pay the cost of it in terms of extra taxes and brutal cuts in public spending on social services, as well as in terms of unemployment and underemployment! At the same time, the IMF's latest *Global Stability Report* (April 2009) warns that the banking system has not yet been stabilised and that potential losses from the credit crunch could reach \$4 trillion (a year ago the same IMF predicted total losses from the credit crunch of “only” \$1 trillion!), and damage the financial system for years to come. In fact, according to this latest IMF report, restoring the banking system, so that it functions normally, is likely to take several years, something that will make the recession longer and deeper than usual.

No wonder that in this climate, social unrest has grown at a proportional rate with the growing crisis, either indirectly linked to it, as in the case of Greece last December,<sup>[2]</sup> or directly caused by it (Iceland, Latvia, France, etc.). It was, therefore not surprising that the transnational elite (as expressed, politically, by the “G7” —see the next section for a definition and account of the emergence of this elite) had to take urgent action, both at the policy and the propaganda levels. Therefore, the G20 summit held in London in April 2009 was called in order to address the required steps to restore some confidence, not so much to the markets, as to the ‘subjects’ of the political and economic elites, who were already becoming restless. The main aims of the elites could be described as follows:

- a) To introduce some necessary international regulatory controls on the financial markets, given that the latter, as all other markets in the era of neoliberal globalisation, had become completely free of any kind of social control. Thus, markets had become, first, free of **social controls in the narrow sense**,<sup>[3]</sup> i.e., of those aiming at the protection of humans and nature against the effects of

marketisation, e.g., social security legislation, welfare benefits, national health and education systems, macro-economic controls to secure full employment etc. Second, they became free of **social controls in the broad sense**, i.e., of those which mainly aim at the protection of the economic elites controlling the market economy against foreign competition, but could also have some beneficial indirect effects to the rest of society in terms of boosting local employment and domestic consumption, e.g., tariffs, import controls, exchange controls, etc. Even worse, not only social controls *per se* but even many **regulatory controls** were phased out, i.e., those which aim at the creation of a stable framework for the smooth functioning of the market economy without affecting its essential self-regulating nature. The inevitable result was the creation of conditions of galloping speculation (not only in financial markets, but also in commodity markets), but also, of utter instability in world financial markets which has led to the present huge crisis threatening not just neoliberal globalisation but, potentially, the entire system of market economy and its political complement (representative “democracy”) which characterised the entire period of modernity<sup>[4]</sup>.

b) To promote the myth of a new world order based on a caring capitalism and a kind of statism (if not of socialism itself!). This became particularly necessary when it became obvious that social unrest was spreading proportionately to the deepening crisis, the consequences of which are being paid —as always— by the victims of it rather than by those who caused it, i.e., the elites who control it and benefit from its functioning. Yet, part of the Left (mainly the reformist Left supporting the World Social Forum, the Socialist International, et. al.) had no qualms to adopt this myth adding to the confusion caused by the lack of a massive antisystemic movement with clear aims and strategy for the replacement of the present system, and disorienting people with the pious hopes that neoliberal globalisation has collapsed and a new phase of modernity is about to begin —after the **liberal phase** characterising early modernity, which was followed, first, by the **statist phase** in the post Second World War period, and, then, by the **neoliberal phase**, which began with the rise of neoliberal globalisation in the last thirty years or so.

## 1. The “G20” summit in London and its aftermath

### ***The “G20” summit: Regulatory controls in — Social controls always out***

As regards the first aim, the G20 went out of their way to condemn social controls in the broad sense using the bogey of protectionism. It is significant however that this stand was imposed more under the pressure of the collapsing “economic miracles” of the New World Order (China, India, Brazil and the other countries of the South), which based their “development” on the integration of their economies into neoliberal globalisation—through export-led growth models and foreign investment —rather than the pressure of members of the transnational elite, like USA or France, whose political elites are under tremendous pressure by their electorates to introduce some protectionist measures in order to alleviate growing unemployment caused initially by de-industrialisation, following the movement of

local capital to the capitalist paradises mentioned above, and now the collapse of their financial sectors. No wonder that a mild kind of protectionism is being introduced today by members of the transnational elite by the back door, even by such enthusiastic supporters of social-liberalism as Britain (see section 3). However, this mild protectionism has nothing to do with proper social controls in the broad sense, like the protectionism of the 1930’s when tariffs, quotas and exchange controls seriously limited the freedom of commodities and capital to move. In fact, today’s “protectionism” is only limited to a kind of subsidisation of some local industries on which the advanced capitalist countries have a comparative advantage.

At the same time, it is not accidental that nobody in the G20 even raised the issue of reintroducing any social controls in the narrow sense which imply a serious intervention to the workings of the market economy, like the ones which have been introduced during the statist era of modernity, as a result of social struggles undertaken by those who were adversely affected by the market economy’s effects on them or on their environment. All these controls have gradually been dismantled in the present era of neoliberal globalisation and replaced by “virtual social controls” (safety nets for the destitute, semi-privatised systems of health and education and “supply-side” economics respectively). The reason is not of course that the political elites and particularly the ex-social democrats and presently social-liberals and the reformist Left are “traitors” to their cause and do not even wish to alleviate the effects of the present crisis through traditional Keynesian policies. The reason is that such controls were perfectly compatible in the statist era when markets for commodities, capital and labour were strictly controlled by states and it was the domestic effective demand, which determined growth. However, in the era of capitalist globalisation, where open and deregulated markets are inevitable, it is foreign trade and foreign investment that determine the level of income and employment and therefore growth. This implies that, in the present era of neoliberal modernity, the centre of economic policy has irrevocably shifted away from the national elites to the transnational elite and transnational corporations.

So, the only controls which the G20 could manipulate in order to check, as far as possible, the crisis and at the same time reduce the risk of a similar crisis in the future, without affecting the essentially self-regulating nature of neoliberal globalisation, were the regulatory controls which have always been necessary for the production and reproduction of the system of the market economy. However, as I attempted to show elsewhere,<sup>[5]</sup> it was not just the deregulation of financial markets that caused the present crisis, but the fact that during the last thirty years or so *all* markets (commodity, capital labour as well as financial markets) were opened and deregulated in the context of neoliberal globalisation. This fundamental structural change, combined with the parallel inability of the working class movement (already in decline) and the other victims of globalisation to stop this process played, as we shall see in the next section, a crucial role in the rise of neoliberalism.

The regulatory controls decided by the G20 included the global regulation of hedge funds, tax havens and executive pay – and the replacement of the Financial Stability Forum (just an informal network of central banks, finance ministries and market regulators) by the renamed Financial Stability Board, which was given new powers to oversee banks and international markets with the potential (but only the potential at the moment!) for a powerful new global financial regulator. The G20 also recapitalised IMF, increasing substantially its resources for lending purposes –something that could be particularly useful in the near future to the

transnational elite, as several countries in Eastern Europe, after being “saved” by capitalism, are now at the threshold of bankruptcy!<sup>[6]</sup> However, the trebling of the IMF’s resources by \$500bn would have been impossible without the Chinese and Saudis at the table. Similarly, the initiatives on tax havens, credit rating agencies, trade and global financial regulation of the financial system, etc. would have been meaningless in practice, without the countries of the periphery and semi-periphery taking part in the G20 summit not putting their name to them.

So, the only “Keynesian” kind of politics in the G20 agenda were the pseudo-Keynesian temporary fiscal stimuli suggested mainly by the new US administration. However, even this measure –which was promoted as a kind of pumping up global aggregate demand through the bigger budget deficits that all countries are having to run– was left to be done by the countries themselves, as a result of the opposition by other members, not only within G20, but also even within G7, for the reasons we shall consider next.

### ***The tactical divisions within the transnational elite on dealing with the crisis***

A key tactical division, which arose within the transnational elite –i.e. between the American elite on the one hand and the EU elites who are members of G8 on the other– concerned the effective way of dealing with the worsening global systemic crisis. This disagreement, contrary to the promoted mythology even by “progressive” Nobel laureates like Krugman, was not related to the alleged reluctance of the European elites to implement Keynesian policies, similar to those supposedly introduced by Obama’s government. In fact, the dispute arose purely out of the different socio-economic conditions facing the European elites vis-à-vis the American elites, and not from the supposed Keynesian “progressiveness” of Obama against the “neoliberal” narrow-mindedness of the European elites who still insist, despite the present deep recession, on keeping budget deficits firmly under control, as the EU’s “Stability Pact” prescribes, which requires budget deficits of member countries not to exceed 3% of GDP. The importance of the conflict, therefore, lies in the fact that, if even the members of the transnational elite (which are expressed primarily by the “Group of 7”), who share common goals for the reproduction of the internationalised market economy, reach different conclusions in respect of the policies to pursue, because of the differences in the specific socio-economic conditions they face, one can easily imagine why it is a pure utopia that the group of 20, let alone the “international community” where the diversity of conditions is by far greater, could ever agree on common international radical measures against the present multidimensional crisis in general and the economic crisis and the ecological one in particular.

Therefore, if the American elites do not mind the creation of huge budget deficits and a corresponding huge increase in public debt, this does not, of course, mean that they suddenly came to reason and gave up the neo-liberal globalisation from which they have benefited over the years. The American elites are neither **willing** nor **able** to return to Keynesianism. Keynesian policies at the national level have become irrelevant since the early 1970s, when the current internationalisation of the market economy was emerging with the massive expansion of transnational corporations (TNCs), which was incompatible with the Keynesian “economics of effective demand”. In other words, with the kind of policies aiming to control

production and employment, mainly through fiscal, but also, monetary policies that directly or indirectly affected decisively the overall demand within the nation-states. Growth in this case was mainly based on the internal market, and the markets for goods and capital were controlled by the state, while labour markets were subjected to a series of regulatory, but also, social controls, which were imposed as a result of the intensive social struggle in the era following the Second World War. In this context, fiscal policy was based on deficit budgets during recessions (despite possible side effects on inflation) and on budget surpluses in the upward phase of the economic cycle.

However, as we shall see in the next section, from the moment all countries began to be incorporated into the new internationalised market economy, which imposed the opening up and the liberalisation of the markets, the economics of effective demand were, inevitably, replaced by “supply-side economics”. The inevitability of this development was the result of the fact that, as economic growth began to increasingly rely on the foreign market, the competitiveness of foreign goods became a crucial determinant of growth. Therefore, enhancing supply, through the reduction of the cost of production (labour cost and employers’ contributions, taxes on capital, etc.) instead of domestic demand, became the main objective of economic policy. That implied everything we call today neo/social-liberal policies: dismantling the welfare state and the idea of a social wage, suppressing nominal wage rises to match productivity rises, privatisations, reduction of taxes, particularly those paid by the privileged social groups, etc. However, as we shall see in section 3, the new social-liberal consensus emerging at the moment does involve an expansion of “supply-side economics” to include also a kind of “state interventionism” in the form of measures to further enhance the supply-side of the economy, through various indirect forms of subsidisation of domestic industries –something that in no way involves any direct intervention to the essential self-regulating nature of the present internationalised market economy.

So, what is happening now is that the US is in an economic and social position to implement deficit budget policies –temporarily, of course, and until the continuously worsening depression following the financial crisis is put under control– in contrast to the Euro-elites who, faced with a different set of socio-economic conditions, are forced to continue with the same neo/social-liberal policies, as expressed by the Stability Pact etc., (apart from UK which has not adopted the Euro) while trying, at the same time, to introduce some regulatory controls in order to monitor the financial markets and avoid crises of similar dimensions in the future. But, what are the diverging socio-economic conditions faced by members of the transnational elite, which necessitate different policies?

At the economic level, the differences lie in the degree of dependence of economic growth on foreign markets/foreign capital and the related borrowing capacity of a country. Thus, whereas US exports account for only 11% of its GDP, the corresponding Euro-zone figure is a massive 40%!<sup>[7]</sup> Similarly, net inflows of foreign capital correspond to only 1.8% of US GDP, versus 3.8% in the Euro-zone.<sup>[8]</sup> Regarding the borrowing capacity of the US, as long as the foreign investors in general and the “communist” Chinese elite in particular continue to support the US dollar, the American elite would have no problem in expanding its foreign debt to cover the extravagant bailouts of financial institutions and provide some financial stimuli to revive the real economy. At the same time, the Chinese leadership had no choice once it made the country’s development dependent on its integration into the internationalised

market economy.<sup>[9]</sup> Particularly so, when it has, already, reached a degree of dependency on foreign market/foreign capital similar to that of the Euro-zone, with an even greater dynamic of integration into the internationalised market economy than the Euroland, as evidenced by the fact that in the last decade (1995-2006) the average growth rate of its exports was nearly three times that of the Euro-zone's!<sup>[10]</sup> The US, therefore, can not only rely much more than the Euroland on its internal market to put an end to the crisis, but it also has a much greater borrowing capacity to achieve this through a massive increase in its foreign debt.

At the social level as well, it is obvious that, given the rudimentary condition of the US welfare state compared even to the presently dismantled, formerly powerful, European welfare state, the social implications of any massive expansion of the expenses to service an excessive foreign debt would be much smaller in the US than in Euro land.

## 2. Does the crisis mark the “end of an era”?

### *Periodisation of modernity*

According to the ID approach, the historical development in modernity could be explained in terms of the interaction between, on the one hand, the “*systemic tendencies*”, which, founded on the dynamics of the market economy for continuous expansion and minimisation of social controls on the markets, were backed by the economic and political elites, and, on the other, the “*anti-systemic counter-tendencies*”, which, founded on the struggle of the working class movement and the rest of society, aimed at the protection of society from the market system.

<sup>[11]</sup> In this approach, it would be as wrong to overemphasise –as Marxists do– the role of “objective” factors (the systemic tendencies) in the history of the market economy at the expense of the “subjective” factors (the anti-systemic counter-tendencies), as it would be to do the opposite and overemphasise the role of the “subjective” factors (in the form, for instance, of “social imaginaries”, as Castoriadis<sup>[12]</sup> and his supporters do) at the expense of the “objective” ones. The interaction between systemic tendencies and antisystemic counter-tendencies, which according to the ID approach condition historical development in the era of modernity, inevitably leads to indeterminate outcomes, which as a rule, are also unpredictable.

On the basis of this interaction between “objective” and “subjective” factors, I periodized the era of modernity according to three main periods: the liberal modernity (1830s – 1880s), which, in the West, after a transitional period of protectionism in the 1930's during the Great Depression in the aftermath of the 1929 crash, led to the statist form of modernity (1945 – mid-1970s), which was succeeded by the present neoliberal form of modernity and its currently emerging social-liberal variation. The liberal phase led to a growing internationalisation of the market economy, which was accompanied by the first systematic attempt of the economic elites to establish a purely liberal internationalised market economy in the sense of free trade, a “flexible” labour market and a fixed exchange rates system (Gold Standard) –an attempt which failed as it did not meet the necessary condition for a self-regulating market economy, namely, the universalisation of open and flexible markets for commodities and capital. The statist phase, which reached its peak in the West in the period following the Second World War when Keynesian policies and continually expanding welfare

states were adopted by governing parties of all persuasions in the era of the social-democratic consensus, expressed the flourishing of the labour movement in general and –given the meteoric rise of actually existing socialism following the Soviet war victories– the socialist movement in particular.

However, the collapse of social-democracy in the West, as a result of significant structural (or “systemic”) changes due to the growing openness of the commodity and capital markets, following the rapid expansion of the newly emerged Transnational Corporations (TNCs) and their effects on the parameters of the social struggle, resulted in a drastic change in the employment and consequently the class structure of advanced market economies. These structural changes, in turn, led to neoliberal modernity and a corresponding form of capitalist globalisation. Therefore, the flourishing of neoliberalism had little to do with the propaganda campaigns of corporate elites and any plots and deliberate strategies by them and everything to do with the structural changes marking the internationalisation of the market economy and the parallel demise of the working class and the socialist movement, following the defeat of the Left in May '68 but also the decimation of the working class as a result of the de-industrialisation in the West for economic and technological reasons.

### ***Why the present globalisation is here to stay***

The only way to understand why it is just a myth that the elites, in view of the present crisis, could return to some kind of statism, even a globalised one, is to go back to the process that was set up by the Bretton Woods agreement in the aftermath of the Second World War.

In the ID problematique, the emergence of the neoliberal internationalised market economy is mainly the outcome of the grow-or-die dynamic process that characterises the system of market economy and not the result of conspiracies, or of the policies of evil neoliberal parties and/or degraded social-democratic parties, as reformists of the Left assert. As I attempted to show elsewhere,<sup>[13]</sup> this development represents, in fact, the completion of the marketisation process, which was merely interrupted by the rise and fall of statism in the 20<sup>th</sup> Century, when it became obvious that the kind of state intervention in the market that marked the statist period of marketisation was no longer compatible with the emerging new internationalisation. This monumental event implied, at the political level, the end of the social democratic consensus, which characterised the early post-war period. Therefore, the present internationalisation of the market economy is not just the result of state action to liberalise financial and commodity markets. In fact, the states were simply following the de facto internationalisation of the market economy, which was intensified by the activities of TNCs, when, (in the late seventies), under pressure from the latter, started the process of liberalising the financial markets and further deregulating the commodity markets (through the GATT rounds). In other words, the present internationalisation of the market economy system is, in fact, the outcome of this system’s dynamics, which has been initiated by competition.

However, although the present process of neoliberal internationalisation of the market economy, following the failed attempt during liberal modernity, was accelerated and massively expanded with the spreading of TNCs since the 1960s, the foundations of it were

set immediately after the Second World War. Thus, following the Bretton Woods conference in 1944, the International Monetary Fund and the World Bank were established, which in 1947 were followed by the establishment of the International Trade Organisation (later GATT-General Agreement on Tariffs and Trade) and a few years later (1951) by the European Coal and Steel Community, which evolved into the European Economic Community (EEC) and the present European Union (EU). Of course, the original aims of the international organizations in the “Triad” (IMF, WB and GATT) which constituted the World (capitalist) Order that was established mainly by the US elites and their allies (excluding of course the Soviet bloc, China, etc.), as well as those of the EEC, were not the same as the aims of these organizations or their successors today (World Trade Organisation and European Union). Thus, as all these international institutions were established in the immediate post-war period, when the statist phase of modernity was, as we saw above, at its peak, the objectives of the economic elites and the means to achieve them were significantly differentiated from their present aims/means. At that time, these institutions were mainly promoting the statist (Keynesian) agenda of indicative or development planning, (direct or indirect) state control of national income and employment, and so on. On the other hand, in the last thirty years or so, these organisations have persistently and in every way available to them promoted the neoliberal agenda of free market economics and the drastic restriction of the state’s role in the economy.

Yet, it is interesting to note that, even in the mid of the statist period of modernity, these institutions were setting the foundations of neoliberal globalisation –another indication of why this kind of globalisation, contrary to the myths of the reformist Left, is here to stay for as long, at least, as the present system of the capitalist market economy persists. Thus, commodity markets were in a process of continuous opening throughout the post-war period, both at the planetary level (GATT rounds of tariff reductions so that corporations could easily move commodities among their subsidiaries) and the regional level (European Economic Community [EEC], European Free Trade Area [EFTA], later joined by North American Free Trade Agreement [NAFTA], Southern Cone Common Market [MERCOSUR], etc.). Also, capital markets, which were in a process of informal opening throughout the 1970s, were formally opened in Britain and the USA at the end of this decade when capital and exchange controls were abolished, followed by the rest of the world in the 1980s and the 1990s as neoliberal globalisation was flourishing. So, contrary to the reformist myths, the rise of Thatcherism in Britain and Reaganomics in USA, let alone the work of corporate think tanks, etc., were *not* the cause of neoliberal globalisation. Thatcher and Reagan simply institutionalised the informal opening of capital markets (Eurodollar markets, etc.) and helped to expand further the ongoing process of opening the commodity markets, which was induced by the GATT rounds. Furthermore, once the opening of markets was institutionalised, the uninhibited flow of capital and commodities across frontiers required the parallel liberalisation of all markets, i.e., the minimisation of social controls that have been imposed in the past (particularly in the statist period), as a result of the struggle to protect human labour and society itself from the market. Therefore, although the labour markets were not opened (so that the exploitation of cheap local labour, particularly in the South, could continue) their liberalisation was necessary for the advantages of opening the commodity and capital markets to be fully utilised. The neoliberal policies that followed (tax cuts benefiting the rich, drastic cuts in employers’ insurance contributions, privatisations, dismantling of the welfare state, etc.) were simply the necessary outcome of the opening and deregulating the world markets, which brought about

the levelling off of social controls for the protection of labour and the environment according to the principle of the least common denominator among competing nation-states: i.e., the principle according to which the minimisation of social controls and wage levels is an important part of the comparative advantage in the cut-throat competition that developed in the internationalised market economy.

To put it schematically, the market economy, as internationalisation intensified, has moved from a “domestic market”-led growth economy to an “external market”-led one, i.e., in the framework of which the prevailing conditions on the production side of the economy (particularly those relating to the cost of production) became crucial. Squeezing the cost of production, both in terms of labour cost and in terms of employers’ taxes and insurance contributions, had become very important. But squeezing the cost of production necessitated a drastic reduction in statism, since statism was responsible for a significant rise in the cost of production during the period of the social-democratic consensus, both directly and indirectly: directly, because the expansion of the welfare state meant a growing burden on employers’ contributions and taxes; indirectly, because, under the conditions of near-full employment which prevailed during the statist phase of the marketisation process, organised labour could press successfully for wage raises that significantly exceeded the increase in productivity.

The system that has been established in the last quarter of a century or so already functions as a self-regulating market. The latest GATT round in the 1990s and the establishment of the World Trade Organisation have in effect created a huge ‘free trade zone’ which, together with the opening of capital markets, have led to a self-regulating system in which the interests of the elites who control it are satisfied to the full, almost “automatically,” through the mere functioning of the market forces. Thus, free trade among unequal partners is bound to lead to the domination of the more powerful partner (in terms of productivity, competitiveness, etc.) —which in the present case is the transnational corporations— a fact well known to the present advanced market economies, which went to great lengths to protect their own industries before they began preaching free trade. Free trade is the best means to destroy the self-reliance of local economies and effect their integration into the internationalised market economy. In fact the first attempt for an internationalisation of the market economy early in the 19th Century failed, exactly because the advanced market economies had not at the time as yet reached a similar level of “maturity” in their economic development —an event that ultimately was the cause for two world wars and the Great Depression of the interwar period.

At the same time, the peripheral countries in the South were forced by the newly formed transnational elite of the North, through a “carrot and stick” policy, to abandon any idea of planning development and, instead, opened their markets to foreign capital and commodities. The carrot was a series of “structural adjustment” economic programs that those countries had to accept in order to be eligible for much needed loans and aid from the North. The stick was the US threat of sanctions against the exports of any country that continued to protect its local production (e.g., the 1988 US Trade Act). This way, not only the markets have been opened, but also any effective subsidisation of local production was abolished, creating a huge comparative advantage for the products of TNCs and squeezing the prices of primary products on which the livelihood of millions of people in the South depended. The inevitable result has been the huge concentration of income and wealth that characterises the present internationalisation.

Therefore, the neoliberal elimination of many of these restrictions has created the economic conditions for the marketisation process to be completed and for the present neoliberal form of internationalisation to be more successful than the earlier liberal attempt. At the same time, the breakdown of “actually existing socialism” in the East and the collapse of social-democracy in the West have created the political conditions for the completion of the marketisation process. So, neoliberal policies are supported today, with minor variations, by both centre-right and centre-left parties, in government or in opposition, all over the world, including the ex-Third World. Thus, the so-called “developing” countries, facing today the destruction of their own production structures following the opening and liberalisation of their markets, and having no other means of survival than their export markets, are presently fervent supporters of free trade, as the latest G20 summit clearly showed! Unsurprisingly, the basic elements of neoliberalism have been incorporated into the strategies of the international institutions (IMF, World Bank, WTO, EU, NAFTA, etc.) through which the world economy is controlled, a fact which makes it plainly evident that the neoliberal consensus (or, as some European social-liberals call it today to distinguish themselves from it, “the Washington consensus”!) which is currently being transformed into a social-liberal one, accurately reflects the radical structural changes brought about by the emergence of the internationalised market economy. It is therefore clear that the neoliberal “liberation” from controls of the market economy and the associated internationalisation of it do not simply represent a change of policy brought about by some cultural decadence, but in fact, expresses a significant structural change (although not a break with the past) which marks the entry into a new form of modernity. This is why the present globalisation is here to stay, as long as the present market economy system persists.

### ***The transnational elite and the role of the state today***

However, the creation of an internationalised market economy clearly necessitated some sort of international economic and political “regulation”. Therefore, if in the first phase of marketisation, when the market economy was basically national, the role of enforcing the market rules was assigned to the nation-state (through its monopoly of violence) and the elite controlling it, in the present phase of an internationalised market economy, i.e., a transnational economy, this role should be assigned to a transnational elite. In fact, the existence of such an elite not only has already been theorised both from the Marxist and the ID viewpoints, but also has been increasingly substantiated by the emerging evidence on the matter.<sup>[14]</sup> This elite, which may be defined as the elite that draws its power (economic, political or generally social power) by operating at the transnational level, does not express, solely or even primarily, the interests of a particular nation-state. Its members, unlike the national elites, see that the best way to secure their privileged position in society is not by ensuring the reproduction of any real or imagined nation-state but, instead, by securing the worldwide reproduction of the system of market economy and representative ‘democracy’. In other words, the new transnational elite sees its interests in terms of international markets rather than national markets.

This elite consists of the transnational economic elites (TNC executives and their local affiliates), which play the dominant role within the ruling elite of the internationalised market economy, the transnational political elites, i.e., the globalising bureaucrats and politicians,

who may be based either in major international organisations or in the state machines of the main market economies, and the transnational professional elites, whose members play a dominant role in the various international foundations, think tanks, research departments of major international universities, the mass media, etc. It is therefore clear that the transnational elite does not establish any territorial centre of power, as it is a decentred apparatus of rule. This means that this elite is not based on one particular nation-state, not even the USA, although of course it does not hesitate to utilise the power of particular states to achieve its aims –even more so when this state happens to be today’s leading military power. The role of this elite is to expedite the globalisation process by facilitating the institutional arrangements required for its smooth functioning. It is not, therefore, surprising that it has become part of the State Department’s job and, indirectly, of the US-controlled NATO, to push deregulation and the dismantling of all barriers to trade and finance, both in bilateral agreements with individual governments and in international negotiations on economic matters (WTO).

So, although it is true that no formal arrangements have yet been set in place to institutionalise a political globalisation, it could be argued that an informal form of political globalisation has already been initiated by the “transnational elite”, a globalisation which is implemented at present through international economic institutions (e.g., WTO) and political/military ones (e.g., NATO). The cases I mentioned above, as well as the wars which were induced by the new transnational elite in the 1990s and the present decade (i.e., the Gulf war<sup>[15]</sup>, the NATO war against Yugoslavia<sup>[16]</sup> which was followed by the invasion of Afghanistan<sup>[17]</sup> and the recent expansion of the war by “progressive” President Obama, and finally the invasion of Iraq<sup>[18]</sup> that led to its continuing occupation and the establishment of a new Western protectorate there) are obvious examples. It seems, therefore, that the transnational elite, for various reasons, relies on this informal system of political globalisation. Such reasons could include: the persistent importance of national identities, despite (or because) of the cultural homogenisation forced by globalisation; the need to keep the façade of a well functioning representative ‘democracy’ in which local elites are still supposed to take the important decisions; the need to provide local safety nets for the provision of minimal social services to the destitute; and last, but not least, the need to delegate to the nation-states a significant amount of the monopoly of violence, so that they could become capable of controlling the movement of labour in a way that would facilitate the free flow of capital and commodities.

The main aim of the transnational economic elite, which today controls the internationalised market economy, is the maximisation of the role of the market and the minimisation of any effective social controls over it for the protection of labour or the environment, so that maximum “efficiency” (defined in narrow techno-economic terms) and profitability may be secured. This does not mean the abolition of all controls over markets, since some of them, e.g., the regulatory controls, are needed for the efficient functioning of the markets, while others (including those securing a minimal level of social protection and welfare provided by the various safety nets for the destitute) are needed to ensure the reproduction of the labour force with no risk of an intensification of the social struggle. Of course, this has always been the aim of the national elites controlling the market economy of each nation-state in modernity, but in today’s era of open markets this aim refers to the internationalised market economy rather than to each nation-state’s market economy. Therefore, the immediate aim is

to pull down the “barriers” impeding the free exchange of goods and services, initially between Europe and America, and then between this huge trading block and the rest of the world, which will be forced to accept the terms of trade of this block. The ultimate aim is the formation of a vast single deregulated market, controlled by TNCs, in which social controls over markets to protect labour or the environment will be minimised and –in the emerging social-liberal consensus– some purely regulatory controls will be set up to stabilise financial markets.

The relevant process has already begun. Thus, the complete liberalisation of the commodities markets within the EU block, combined with the liberalisation of labour and money markets, created a vast economic area where a fixed exchange rate system, similar to the Gold Standard system of the earlier internationalisation, has just began functioning. If we substitute the Euro for gold, Europe operates today under a contemporary Gold Standard system, which should have a much better chance than the earlier system, given that the basic factor that led to the collapse of the Gold Standard system has been eliminated, that is, the various restrictions on the markets for goods, labour and capital that represented not only the interests of the national economic elites, but also society's self-protection mechanisms against its marketisation. Therefore, the neoliberal elimination of many of these restrictions created a historic opportunity for the marketisation process to be completed and for the present neoliberal form of internationalisation to be more successful than the earlier liberal attempt.

However, although the policies promoted by the transnational elite express its “general interest”, this does not mean that there are no significant divisions within it as regards the way to tackle the effects of globalisation with respect to the worsening economic and ecological crises. The divisions within G20 are one example, as I mentioned above. The disagreements on the Iraq invasion –which was initially rejected by some members of the transnational elite for tactical reasons, were later patched up when the Anglo-Americans were successful in establishing their protectorate there– is another. Finally, the divisions on dealing with the ecological crisis are notorious. Thus, the transnational economic elite, realising the significance of the ecological crisis but at the same time not wishing to antagonise those parts of it which thrive in eco-destructive activities (e.g., the oil industry) attempts at the moment to find a compromise in terms of a strategy for a “sustainable development” –like, for instance, the one promoted by Green politicians and organisations (Greenpeace, Friends of the Earth, etc), which are directly or indirectly sponsored by TNCs. This strategy is always framed within the “Green capitalism” perspective, i.e., the aim is to “deal” with the ecological crisis by means which will create new business opportunities for the transnational corporations (electric cars, renewable energy and the like) and which anyway will not intervene with the growth process –namely, the dynamics of the capitalist market economy. In other words, once again, the system deals only with the symptoms of the crisis rather than with its causes –economic growth itself. This is not surprising of course, given that dealing with the causes of the crisis will inevitably raise the crucial issue of replacing the system of capitalist market economy itself. Yet, it has now conclusively shown that the most serious ecological problem imminently threatening human life –climate change– cannot be dealt within the framework of a growth economy!<sup>[19]</sup>

However, it should not be forgotten that the continuous existence of fierce divisions between

and within political and economic elites does not preclude the existence of an overriding common aim, which unites the various elites constituting the transnational elite: to secure the uninterrupted flow of capital and commodities across frontiers and to eliminate any obstacles imposed to this flow by peripheral elites (e.g., “rogue” states) on account of political, economic or military considerations. In this problematic, what we face today is not a corporate attack against markets and democracy, as Chomsky concludes<sup>[20]</sup> —who, however, assumes away the dynamics of the market system that, under conditions of private ownership of productive resources, inevitably leads to a system of market economy and eventually corporate capitalism. Instead, what we face today is a corporate assault against social controls on markets, particularly those I called social controls in the narrow sense which, as we have seen above, the transnational elite has neither the ability nor the will to re-impose, despite the present capitalist crisis. Even more so, the introduction by some political elites (the French and the US elite in particular and lately the British elite as well) of some social controls in the broad sense aiming at protecting their own industries against foreign competition (always “by the back door” given the formal condemnation of any protectionism by the G20 summit in London) in no way express an attack on the system of the market economy and an expansion of the state sector at the expense of the private sector, but simply represent a further enhancement of the competitiveness of domestic private industries to improve their chances of survival in the enhanced international competition.

So, as I tried to show elsewhere,<sup>[21]</sup> well in advance of the present crisis, the new era does not mean the demise of the state itself. In fact, the present neoliberal form of modernity represents a new synthesis between, on the one hand, the old liberal form of it and, on the other, the statist form —a synthesis in which the essentially liberal self-regulated market is integrated into a system of statist controls to secure a minimum level of protection for human life and the environment and the maximisation of protection for private enterprise. The role of the state with respect to the market today is therefore very different from both that of the liberal phase, when it restricted itself mainly to the role of the night watchman, as well as that of the statist phase, when it played the role of the guardian angel of society over the markets. In the new synthesis, which became even clearer since the G20 summit in London, the state has to secure three main aims:

- the stability of the market environment through some regulatory controls particularly on financial institutions including banks,
- the parallel enhancement of the “supply side” of the economy (so that competitiveness and “efficiency” —i.e., profits— improve), even if this includes some sort of mild protectionist measures to indirectly subsidise domestic industries, and
- the survival of the marginalised part of the population and the control of the growing parts of the population which turn against the present globalisation.

All this involves an obvious loss of economic sovereignty that is also reflected in the creation of huge economic blocks, within the context of which the economic role of the individual nation-state is being progressively downgraded in favour of supra-national institutions (e.g., European Union). The crucial difference, therefore, between the present neoliberal/social-liberal form of modernity and the previous statist one is that, although states and parliaments still exist as before, the decisions about crucial economic policies initiated by the need to minimise social controls in the narrow sense do not originate anymore at the national level,

i.e. in national parliaments and states, but at the transnational level, i.e. at the continental level (EU, NAFTA, etc.) and the global level, either through formal channels controlled by the transnational elite (WTO, IMF, WB), or informal channels like the G7 and G20.

Although, therefore, the state, since the collapse of the social-democratic consensus, has seen a drastic reduction in its economic role, as it is no longer involved in a process of directly intervening in the determination of income and employment through fiscal and monetary policies, it still plays an important role in securing the stability of the market economy framework and in maintaining the infrastructure for the smooth functioning of it. It is within this role of maintaining the infrastructure that we may see the activities of the state in socialising risk and cost, through the well known bailouts during the present crisis, where the political elites are involved in socialising the risk by transferring the cost of the crisis to its innocent victims.<sup>[22]</sup> Also, within the same state role of maintaining the infrastructure, we may see its activities to replace the old welfare state with a safety net. Furthermore, the state is called today to play a crucial role with respect to the supply-side of the economy and, in particular, is required to take measures to improve competitiveness and to train the work force to the requirements of the new technology, in supporting research and development and even in indirectly subsidising export industries wherever required. Therefore, the type of state intervention, which is compatible with the marketisation process, not only is not discouraged but, instead, is actively promoted by most of the professional politicians of what used to be called neoliberal (or Washington) consensus and today we may call the social-liberal consensus.

As it is therefore obvious, the rise of neoliberal consensus first, and social-liberal consensus at present, has very little to do with plots and propagandist campaigns by the corporate elites following the defeat of the Left —as the reformist Left suggests, and everything to do with the systemic trends, brought about by the dynamics of the market system, which were clearly backed by the economic and political elites who mainly benefited from them. Particularly so, when these elite-backed trends did not meet any effective resistance from a decimated working class and a demoralised general public, as well as a reformist Left which simply attempted to accommodate itself within the New World Order established by these systemic changes. However, it should be made clear that even if there were a strong resistance against these trends, the present marketisation of the economy and society would simply have been delayed further but not stopped, as these trends simply represent the logical outcome of the dynamics of the system itself. This is why the reformist Left’s rhetoric today to return to some form of statism is both a-historical and utopian, and the only realistic way of transcending the present multidimensional crisis, which neoliberal globalisation has drastically deteriorated, is not from within the present system of market economy and representative “democracy” but from without, through the creation of new political, economic and social structures that institutionalise the equal distribution of all forms of power among all citizens.

### **3. The new social-liberal consensus and the myths of the reformist Left**

#### ***The myth of the New World Order***

It is, therefore clear, that the crisis in general, and the G20 summit itself in particular, by no means mark “the end of an entire epoch” signified by “the collapse of the US and world financial system” and “the decline of the US empire” as some important analysts in the Left argue.<sup>[23]</sup> First, the very rhetoric about a US empire today, in the era of neoliberal globalisation, is both anachronistic and misleading. As I tried to show above and in more detail elsewhere,<sup>[24]</sup> in the era of the internationalised market economy, there are no more “empires” but a transnational elite or, as some sophisticated Marxists put it, a transnational capitalist class.<sup>[25]</sup> The revival, therefore, of G20 by no means implies that the transnational elite will now extend to the countries in the periphery and semi-periphery, which were invited to take part in the London summit. In fact, the only reason that the G20 was revived was in order to involve them in sharing the huge cost of the economic and ecological crisis, in exchange for a supposedly greater power in economic decision-taking, which could possibly take the form of some extra power in international institutions like the IMF, WB and WTO. However, real decision-taking, both at the economic and the political levels, would continue being monopolised by the transnational elite, as expressed by the G7. The facts which secure this are, first, that both economic and political power is still concentrated at the hands of the political and economic elites of the G7 countries and the TNCs controlled by them, and, second, that the very “development” of the new economic “miracles”, which have been invited to the G20, would have been impossible without the foreign investment and foreign trade of transnational corporations based in the G7 countries.

Therefore, the measures taken by the G20 not only did not create any new institutional framework that would be conducive to the rise of a new statism (in the traditional sense of the word as a direct intervention to the workings of the market mechanism), let alone a global statism, but did not even take any substantial measures to reshape the international monetary framework, as the Bretton Woods conference did in 1944 when it set up the three institutions which still control it (IMF, WB and GATT/WTO). This was not unexpected. The Bretton Woods conference was called just at the end of the Second World War with the aim to reshape the world monetary system in a way that would reflect the new balance of world power, which emerged from this war. The new system was intended to match the requirements of both statism, which was rampant at the time and free trade which was particularly promoted by the new hegemonic nation-state in the capitalist world: the USA, which was in a position to impose its economic hegemony, not anymore through colonialism and the division of markets (as Great Britain has done up to then), but through its unchallenged economic superiority in terms of productivity and competitiveness. In other words, the Bretton Woods system was intended to provide an international monetary system that would have constituted a compatible foundation for the international statist model that had already emerged in the pre-war period, by ensuring both the economic sovereignty of nation-states with respect to domestic economic policies, as well as international monetary stability as regards the value of currencies.

However, despite the fact that the Bretton Woods system initially succeeded in this aim, in the end, the contradictions within it, and especially the fact that it enshrined the dominance of the US dollar –an arrangement that at some stage became incompatible with the change in the world balance of economic forces as a result of the rise of Japanese and German economic power– brought about its downfall at the beginning of the 1970s. This fact contributed

significantly to the demise of statism. Nation-states initially attempted to keep their economic sovereignty by reverting to a system of flexible rates, which, as long as capital and exchange controls were in place, could secure their economic sovereignty. However, as soon as these controls were abolished under market pressure, particularly exercised through the growing power over world trade and production by the multinational corporations, independent economic policies and statism itself became doomed and we entered the era of neoliberal globalisation and neoliberal modernity, which has characterised the present era since then.

Therefore, the US elite was not forced to share its economic and political power just in the last few months, as a result of the latest capitalist crisis, which emanated in the USA and UK financial centres. In fact, the beginning of the end of the US economic empire can be traced back to the early 1970's and explained in terms of:

- the flourishing globalisation due to the unstoppable power of the growing multinational corporations which, in turn, reflected, also, the increasing power of other than the USA centres of economic power like Germany, Japan and France, and
- the parallel decline of the US dollar which by the early 1970's was hugely overvalued, following the enormous military spending on the Vietnam War and, also, the French elite's (under De Gaulle) campaign against the US dollar –a campaign based on the intrinsic facility that the Bretton Woods system provided the US elite to finance its wars, as well as its economic policies in general, by effectively creating more US dollars, as long as confidence in it remained unaffected and other countries could use it without reservations as the main reserve currency.

Thus, as a result of the above events and the consequent serious inflationary situation in the US itself, this confidence was eroded, and the basis of the Bretton Woods agreement (i.e., the establishment of an international fixed exchange rate regime in which currencies were pegged to the United States dollar which was, in turn supposedly convertible to gold), collapsed. The outcome was that in 1971 the US elite was forced not only to devalue the dollar, but also to suspend the convertibility of dollars into gold, effectively ending the post-war international monetary system. So, when in the 1970s the rise of multinational corporations was at full blast and the present globalisation was being established, first informally (Eurodollar markets, etc.) and then formally (Thatcherism and Reaganomics), the opening and deregulation of markets for capital, commodities and labour set the foundations for neoliberal globalisation and, ultimately, the present crisis. At the same time, it led to the creation of the transnational elite, which informally runs the new internationalised market economy. It is not therefore accidental that the first form of the informal political expression of the transnational elite, the Group of 7 (G7), was formed as early as 1975 (initially as a “Group of 6” without Canada and a after a year, when Canada joined the group, as G7).

However, although the US elites lost their economic hegemony since the 1970s this was not also the case with their political/military hegemony due to their unrivalled military power by any other members of the transnational elite. It is not therefore surprising that the rest of the transnational elite had no objection to recognise the military hegemony of the US elite, and allow it to launch the first war in the Gulf in 1991 immediately after the collapse of the USSR, which hopefully would have allowed the absolute control of Middle Eastern oil by the

transnational elite, without the risk of any intervention by the Soviet bloc. But, when on the eve of the Iraq invasion in 2003 it became clear that the US elite was ready to use its military hegemony to secure a privileged position for it in the Middle East, the other members of the transnational elite headed by France, expressed in varying degrees their dissatisfaction, setting de facto the issue of sharing of political as well as economic power within the transnational elite.

It was however the present crisis that was initiated by the Anglo-American financial centres, which raised again the issue of formalising the sharing of economic as well political power within the transnational elite. The G20 summit therefore, and the ones to follow it up are likely to organise this sharing of power between the G7 in the first place, and at the same time to give the impression of sharing some power with the other members of the G20 (in terms of posts in international organisations like the IMF and the like). In this context, the possibility could not be excluded of the future creation of a common reserve currency based on some sort of weighted average of the main currencies of G7 (US dollar, Euro, sterling, yen) and force the rest in the G20 to use this as a reserve currency, rather than a system based on the Special Drawing Rights –as the Chinese elite is proposing– which would obviously give more power to the countries in the periphery and semi-periphery than the weighted average of the transnational elites’ currencies. Yet, as long as the unrivalled military hegemony of the US cannot yet be challenged, the sharing of political power, even within the G7, is bound to be limited, as it is shown by the fact that any idea of developing a European military power independent from the American one has floundered. This became evident by the recent full integration of France into NATO and the fact that Russia, the only power in the G20 that could really challenge US military power,<sup>[26]</sup> is neither willing nor able to do so at present.

### ***The myth of the rising Chinese superpower***

Yet, there are some establishment analysts, supported by ex-Marxists and others in the Left, who adopt another myth, according to which a balance of world power is emerging at present in the form of the peripheral and semi-peripheral countries, which were invited in the G20 summit in London. Thus, Hamish McRae<sup>[27]</sup> argues, “in time we will come to look on the 2009/2010 recession as an historic turning point, the recession that gave a new impetus to the shift in both economic power and financial attitudes away from the old developed world to the new one”. This is because, as he points out, both China and India, the two largest emerging economies, have been hit by the global downturn, but “both look like growing by around 6 per cent this year, whereas the average growth in the developed world looks like being minus 3 per cent. So the relative shift is huge, the largest such gap that has ever occurred”.

However, as I pointed out in a recent article,<sup>[28]</sup> any conclusions based on absolute economic indices on income, production, etc. are meaningless, since such conclusions are based on comparisons of absolute economic indices on income, production, etc., which of course do not make much sense when referring to a country that concentrates 1/5 of the world's population. That is, if we take into account the enormous differences in population sizes, then, the per capita income of China (in terms of purchasing power) is only 13% of the corresponding per capita income of the advanced economies in the North.<sup>[29]</sup> Even the much

advertised by neo-liberals and social-liberals record growth of China, following the full integration of the country into the internationalised market economy, disguises an almost negligible increase in per capita income. Thus, in 1994, after 13 years of average annual GDP growth at a record rate of about 11%, China’s per capita income (in purchasing power) was 9.7% of that of the US (with an average annual growth rate of about 2.7%).<sup>[30]</sup> After 12 more years of a record growth at about 10%, in 2006, China’s per capita income was 10.6% of that of the US (growing at a rate of about 3%).<sup>[31]</sup> This means that, even if China could continue, indefinitely, the growth rates of that period –something almost impossible for economic and ecological reasons, as the present crisis has amply shown– again, it would take the Chinese, not a few more decades, but a millennium even to approach the per capita income of the US and that of the advanced capitalist countries in the EU! Similar considerations apply to the other “miracle” of capitalist development, India, which, even more than China, consists of a few “islands” of development within a vast sea of poverty and underdevelopment.

Yet, on the basis of such silly comparisons of absolute economic magnitudes this enlightened economist concludes:<sup>[32]</sup>

Until last year the US consumer totally dominated the field; now it is the Chinese consumer that contributes most to global demand, with consumption in the US negative this year but consumption in all four BRICs positive this year and next. The resulting shift in relative size means that China passes Japan next year (maybe even this year) to become the world's second largest economy (see top right-hand chart), while Brazil passes Canada. The date for China passing the US to become the world's largest economy has come forward to the late 2020s (bottom right), by which time India has passed Japan too. The point here is that the shift towards the BRICs and away from the G7 is taking place even faster than the Goldman Sachs team initially expected when it first created the BRIC model six years ago. That picture for the 2030 pecking order is very similar to the original picture for 2050.

However, the fact that China’s consumption (and corresponding production) still rises this year is nothing surprising, given the huge savings accumulated all these years since the economy has been integrated into the internationalised market economy by the newly emerged economic elites of importers, managers and others running the foreign subsidiaries, as well as the significant tax receipts from the activities of TNCs in the country. This could also explain the huge inequality in the distribution of income following the integration of the country into neoliberal globalisation, as indicated by the fact that the distribution of income in “communist” China is now much worse than even in capitalist neoliberal societies like the US and UK!<sup>[33]</sup> No wonder much of the present consumption growth in China comes from the higher income groups which, with the help of the fiscal stimuli provided by the government (tax breaks for purchases of fuel-efficient cars and incentives for people in the countryside to buy new cars), spend their savings on luxury cars and similar commodities.<sup>[34]</sup> The rest of this growth seems to be coming from public savings released by the Chinese political elite in order to improve the miserable health, education and social systems which have been established in China since its integration into the internationalised market economy –with the obvious aim to avert the mounting social unrest. It is therefore clear that the present Chinese growth is only temporary and it is crucially dependent on the spending of accumulated savings from the

exports of commodities and the income from foreign bonds etc. Therefore, if case the present world crisis continues into the next year and beyond, causing a further significant dwindling of both Chinese exports and savings, the present “miracle” of 6% growth (down from the usual 10%) could easily fall dramatically to the world average (i.e. almost zero), given the present crucial dependence of Chinese growth on foreign markets and foreign capital.

However, these obvious considerations did not seem to occur to an ex-Marxist, who used to be the editor of *Marxism Today* (no less!) and has since then turned into an establishment analyst, who draws the following —unbelievable in its silliness and lack of any valid empirical evidence, conclusion:<sup>[35]</sup>

We have entered one of those rare historical periods that is characterised by a shift in global hegemony from one great power to another (...) This new period is marked by the rise of China and the decline of the US.

He then goes on to recognise a progressive President in Obama (who has already shown, as Robert Fisk —a liberal, but honest journalist— has pointed out, that he is just a Bush clone, as indicated by his despicable stand on Afghanistan-Pakistan, Palestine, Iraq, the CIA torturers and so on):

The world is fortunate —for the time being, at least— that it has an American president in Obama who is prepared to take a conciliatory and concessive attitude towards America’s decline.

No wonder that on the basis of similar flimsy arguments (to say the least!) he draws the monumental conclusion (agreeing with five “nationalistic” —in his own admission— Chinese writers) that “China has no choice but to become a superpower” (sic!) Unsurprisingly, the same enlightened ex-Marxist writer had no qualms to make another historical prediction: “the G20 will in effect replace the G8”.

### ***The new social-liberal consensus and the myths of the reformist Left***

As I mentioned in the section above, a new version of social-liberal consensus is emerging at the moment, which is shared by all parties in power in the G7 countries. This new version expresses the three main aims I mentioned in the last section, which the state should pursue today, according to the new synthesis that emerged in the aftermath of the present crisis.

Thus, first, securing the stability of the market environment —according to the guidelines agreed by the G20 summit in London— through some regulatory controls, particularly on financial institutions including banks, is a basic element of the new social-liberal consensus. This differentiates the new version of the social-liberal consensus from the previous one, which did not include any effective controls of financial and banking institutions —an arrangement which, in combination with the dismantling of social controls on all other markets, led to the present crisis, as we saw above.

Second, as far as securing the survival of the marginalised part of the population and the control of the growing parts of the population which turn against the present globalisation,

the new version of social-liberalism does not significantly differ from the older version, except for the fact that the control, as we shall see in the next section, has presently spread both horizontally and in depth, in proportion to the growing resistance against the present capitalist globalisation. In particular, as regards the survival of the marginalised part of the population, the same “virtual social controls” introduced by the older version, following the dismantling of the welfare state, (safety nets for the destitute, semi-privatised systems of health and education and “supply-side” economics for the “enhancement” of the unemployed, e.g.) are being used in the new version of social-liberalism.

Therefore, the main novel element of the new version of the social-liberal consensus is the aim to ensure the parallel enhancement of the “supply side” of the economy (so that competitiveness and “efficiency” –i.e., profits– improve), even if this includes some sort of mild protectionist measures to indirectly subsidise domestic industries. Thus, the British “New” Labour party, the pioneers of social-liberalism and of “The Third Way”, just unveiled an “interventionist” strategy under which the Government will subsidise the growth industries of the future (mainly hi-tech and low-carbon industries) to compensate for the shrinking financial sector which had resulted from the present crisis. Thus, through a combination of indirect measures (funding and shaping appropriately tax and regulatory policies to help renewable energy projects, and projects on digital communications, pharmaceuticals, life sciences, aerospace, business services, electronics, etc.), as well as direct measures (using Government's current spending in buying “made in UK” goods and services), the supply side of the economy will be enhanced, without at the same time directly interfering with the workings of the market mechanism and free trade, let alone substituting in any way the state sector for the private. The government paper is explicit about it: “This is not about government seeking to override market forces or ignore market signals”.<sup>[36]</sup> At the same time, Peter Mandelson, an enthusiastic supporter of social-liberalism and main sponsor of the government paper on the new form of state interventionism was also emphatic about it:<sup>[37]</sup>

(This) “does not imply a fundamental change in our view of the relationship between the market and the state. (...) However, the way the Government sees its own role in the market needs to change in order to deliver a more coherent and effective approach.” This means “a readiness to intervene where necessary” by “supplementing” rather than “substituting itself for the market” and “correcting significant market failures.”

It is, therefore clear, that the new version of social-liberalism does not represent any basic change in the essential content of neoliberal globalisation, as we know it. In other words, the state today is strictly limited in its “interventionism” by the constraints of neoliberal globalisation which imply:

- no state interference with the level of aggregate demand to secure a high level of income and employment but just state incentives given to private entrepreneurs to enhance the supply-side of the economy;
- no full welfare states for all citizens but just safety nets for the needy;
- no extra spending on deteriorating public health and education systems or on worsening social services and pensions. Instead, under the new “caring” version of social-liberalism, badly needed social spending is going to be slashed dramatically in the

foreseeable future, so that the huge budget deficits created by the bailouts and related activities could be covered.

In other words, all available public money will be channelled again to the private sector, not just to financial and banking institutions as before but also to private enterprises in selected industries, and it will be left again to the private initiative and the market forces to provide any jobs (which would be profitable to the entrepreneurs) in “green” capitalist activities and the like, whereas the rest of the vast army of unemployed created by the crisis will be left to their own devices, i.e., to unemployment or underemployment, poverty and insecurity and inability to cover even basic needs like health, education and pensions at an adequate level!

Therefore, the hype about the “new world order” constitutes, in fact, part of the mythology being promoted at the moment by the transnational elite and the international mass media controlled by it about the emerging “caring” capitalism and a new kind of statism. In other words, this is part of the communications campaign pursued by this elite at the moment, in the face of the mounting social unrest against the deteriorating capitalist crisis. However, as we have seen above, this has nothing to do with the actual measures they take and are committed to take in the future. In fact, all they try to do –and are bound to do given that they take, of course, for granted the system of the internationalised market economy which prescribes open and “liberated” markets– is simply to ameliorate somehow the effects of the present crisis and introduce some regulatory controls in order to avoid crises of similar size and depth.

Yet, Eric Hobsbawm, the doyen of Marxist historians, who more than ten years ago was perceptively(!) predicting the imminent end of neoliberalism,<sup>[38]</sup> had no qualms to adopt the same myth, i.e., that some sort of mixed economy is not only desirable but still feasible today, despite the fact that such an economy crucially depends on an ethnocentric kind of market economy rather than the present internationalised one. Thus, as he declared in a recent article:<sup>[39]</sup>

Impotence therefore faces both those who believe in what amounts to a pure, stateless, market capitalism, a sort of international bourgeois anarchism, and those who believe in a planned socialism uncontaminated by private profit seeking. Both are bankrupt. The future, like the present and the past, belongs to mixed economies in which public and private are braided together in one way or another.

And to confirm his obvious turn from Marxism to social-democratic reformism he concludes, agreeing with the well known Nobelist social-democrat Amartya Sen:

The test of a progressive policy is not private but public, not just rising income and consumption for individuals, but also widening the opportunities and what Amartya Sen calls the “capabilities” of all through collective action. But that means, it must mean, public non-profit initiative, even if only in redistributing private accumulation. Public decisions aimed at collective social improvement from which all human lives should gain. That is the basis of progressive policy –not maximising economic growth and personal incomes. Nowhere will this be more important than in tackling the greatest problem facing us this century, the

environmental crisis. Whatever ideological logo we choose for it, it will mean a major shift away from the free market and towards public action, a bigger shift than the British government has yet envisaged. And, given the acuteness of the economic crisis, probably a fairly rapid shift. Time is not on our side.

Hobsbawm in fact expresses the view of many in the reformist Left supporting the World Social Forum, the Socialist International, et. al., who also adopt the myth of a possible New Order of a world mixed economy, within the present system of the capitalist market economy which they take for granted – a myth which obviously is based on anything else than the facts and any rational analysis of the present situation. The result is that those in the Left supporting such myths, in effect, not only adopt the propaganda of the “progressive” elements of the transnational elite about the supposed New Order they try to establish, (apparently after having learned their lessons from the crisis), but they also add to the confusion caused by the lack of a massive antisystemic movement with clear aims and strategy for the replacement of the present system, and disorient people with the pious hopes that neoliberal globalisation has collapsed and a new phase of private-state modernity is about to begin!

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[1] Takis Fotopoulos, “The myths about the economic crisis, the reformist Left and economic democracy,” *The International Journal of Inclusive Democracy*, Vol. 4, No. 4 (October 2008).

[http://www.inclusivedemocracy.org/journal/vol4/vol4\\_no4\\_takis\\_economic\\_crisis.htm](http://www.inclusivedemocracy.org/journal/vol4/vol4_no4_takis_economic_crisis.htm)

[2] See Takis Fotopoulos, “A systemic crisis in Greece,” (in this issue).

[http://www.inclusivedemocracy.org/journal/vol5/vol5\\_no2\\_takis\\_systemic\\_crisis\\_greece.htm](http://www.inclusivedemocracy.org/journal/vol5/vol5_no2_takis_systemic_crisis_greece.htm)

[3] See on the crucial distinction between the various types of social controls, T. Fotopoulos, *Towards An Inclusive Democracy* (London/NY: Cassell/Continuum, 1997/1998), ch. 1, and *The Multidimensional Crisis and Inclusive Democracy* (The International Journal of Inclusive Democracy, 2005) ch. 1.

<http://www.inclusivedemocracy.org/journal/ss/ch1.htm>

[4] Ibid.

[5] See Takis Fotopoulos, “The myths about the economic crisis, the reformist Left and economic democracy”.

[6] Sean O’Grady, “Fragile East European economies are the zombies stalking the IMF,” *The Independent* (6/4/2009). <http://www.independent.co.uk/news/business/comment/sean-orsquogrady-fragile-east-european-economies-are-the-zombies-stalking-the-imf-1663494.html>

[7] World Bank, *World Development Indicators 2008*, tab 4.8.

[8] Ibid., tab 6.1.

[9] See T. Fotopoulos, “Is sustainable development compatible with present globalisation? The Chinese Case,” *The International Journal of Inclusive Democracy*, Vol. 4, No. 4 (October 2008).

[http://www.inclusivedemocracy.org/journal/vol4/vol4\\_no4\\_takis\\_chinese\\_case.htm](http://www.inclusivedemocracy.org/journal/vol4/vol4_no4_takis_chinese_case.htm)

[10] Ibid., tab 6.2.

[11] See Takis Fotopoulos, *The Multidimensional Crisis and Inclusive Democracy*, ch. 2.

<http://www.inclusivedemocracy.org/journal/ss/ch2.htm>

[12] See C. Castoriadis, *The Imaginary Institution of Society*, (Cambridge, UK: 1997).

- [13] See Takis Fotopoulos, “Globalisation, the reformist Left and the Anti-Globalisation «Movement»,” *Democracy & Nature: the International Journal of Inclusive Democracy*, Vol. 7, No. 2 (July 2001). [http://www.inclusivedemocracy.org/dn/vol7/takis\\_globalisation.htm](http://www.inclusivedemocracy.org/dn/vol7/takis_globalisation.htm)
- [14] Ibid.
- [15] Takis Fotopoulos, “Iraq: the new criminal «war» of the transnational elite,” *Democracy & Nature*, Vol. 9, No. 2 (July 2003). [http://www.democracynature.org/dn/vol9/takis\\_war2.htm](http://www.democracynature.org/dn/vol9/takis_war2.htm)
- [16] Takis Fotopoulos, “The First War of the Internationalised Market Economy,” *Democracy & Nature*, Vol. 5, No. 2 (July 1999). [http://www.democracynature.org/dn/vol5/fotopoulos\\_balkans\\_2.htm](http://www.democracynature.org/dn/vol5/fotopoulos_balkans_2.htm)
- [17] Takis Fotopoulos, “The global «war» of the transnational elite,” *Democracy & Nature*, Vol. 8, No. 2 (July 2002). [http://www.democracynature.org/dn/vol8/takis\\_globalwar.htm](http://www.democracynature.org/dn/vol8/takis_globalwar.htm)
- [18] Takis Fotopoulos, “Iraq: the new criminal «war» of the transnational elite”.
- [19] See e.g., the De-growth debate, *The International Journal of Inclusive Democracy*, Vol. 3, No. 1 (January 2007) and , also, the articles by Ted Trainer in Vol. 4, No. 2 (April 2008) and Vol. 4, No. 4 (October 2008). <http://www.inclusivedemocracy.org/journal/>
- [20] See Noam Chomsky, “Market Democracy in a Neoliberal Order: Doctrines and Reality,” *Z Magazine* (September & November 1997).
- [21] See Takis Fotopoulos, “Globalisation, the reformist Left and the Anti-Globalisation «Movement»”.
- [22] See Takis Fotopoulos, “The myths about the economic crisis, the reformist Left and economic democracy”.
- [23] See e.g., James Petras, “The end of an entire epoch-World Depression: Regional Wars and the Decline of the US Empire,” *Voltaire Internationale* (5/4/2009). <http://www.voltairenet.org/article159519.html>
- [24] see Takis Fotopoulos, “Globalisation, the reformist Left and the Anti-Globalisation «Movement»”.
- [25] Leslie Sklair, *The Transnational Capitalist Class*, (Oxford: Blackwell, 2001).
- [26] See T. Fotopoulos, “Transnational elite and Russia: a new bipolar world?,” *The International Journal of Inclusive Democracy*, Vol.4, No.4 (October 2008). [http://www.inclusivedemocracy.org/journal/vol4/vol4\\_no4\\_takis\\_russia.htm](http://www.inclusivedemocracy.org/journal/vol4/vol4_no4_takis_russia.htm)
- [27] Hamish McRae, “This recession will hasten the shift to a new economic world order,” *The Independent* (17/4/2009).
- [28] T. Fotopoulos, “Is sustainable development compatible with present globalisation? The Chinese Case”.
- [29] World Bank, *World Development Indicators 2008* (Table 1.1).
- [30] World Bank, *World Development Report 1996* (Tables 1&11).
- [31] *World Development Indicators 2008* (Tables 1.1 & 4.1).
- [32] Hamish McRae, “This recession will hasten the shift to a new economic world order”.  
<http://www.independent.co.uk/news/business/comment/hamish-mcrae/hamish-mcrae-this-recession-will-hasten-the-shift-to-a-new-economic-world-order-1669987.html>
- [33] The Gini coefficient of China (the higher this index the greater the degree of inequality) is much higher at 46.9 than in UK (36.0) and even USA (40.8), whereas in capitalist Germany it is 28.3 and Sweden 25.0! *World Development Indicators 2008*, Table 2.8.
- [34] Clifford Coonan, “Shanghai surprise: world car makers find some solace at last. China is now the world's number one car market”, *The Independent* (21/4/2009).

<http://www.independent.co.uk/news/business/news/shanghai-surprise-world-car-makers-find-some-solace-at-last-1671695.html>

[35] All quotes on Martin Jaques come from his article entitled “The great shift in global power just hit high gear, sparked by a financial crash,” *The Guardian* (20/4/2009)

<http://www.guardian.co.uk/commentisfree/2009/apr/20/global-power-shift-china>, and are based on his forthcoming book, *When China Rules the World: the Rise of the Middle Kingdom and the End of the Western World* (June 2009).

[36] See UK government’s paper, *New Industry, New Jobs: Building Britain’s Future* (20/4/2009).

[37] See Andrew Grice, “Labour’s industrial revolution: Market forces must make way for interventionism, says Mandelson,” *The Independent* (20/4/2009).

<http://www.independent.co.uk/news/uk/politics/labours-industrial-revolution-1671315.html>

[38] Perry Anderson, *New Left Review*, No. 1, (new period) (Jan/Feb 2000), p. 10.

[39] Eric Hobsbawm, “Socialism has failed. Now capitalism is bankrupt. So what comes next?,” *The Guardian* (10/4/2009). <http://www.guardian.co.uk/commentisfree/2009/apr/10/financial-crisis-capitalism-socialism-alternatives>