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*Publication date:*  
2006

*Document Version*  
Publisher's PDF, also known as Version of record

[Link to publication from Aalborg University](#)

*Citation for published version (APA):*

Xing, L. (2006). *The Crisis of Hegemony and Counter-hegemony under Transnational Capitalism*. Paper presented at Globalisation and the Political Theory of the Welfare State and Citizenship, Aalborg, Denmark.

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# **The Crisis of Hegemony and Counter-hegemony under Transnational Capitalism**

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## Abstract

This paper explores the issue of hegemony under transnational capitalism. It conceptualizes how transnational accumulation and supraterritorial space has altered capitalism in general and its hegemony in particular. It aims to provide a framework of understanding and analyzing the way globalization has reshaped the terrain and parameters of social, economic and political relations both at the national and the global levels, and exerted pressure on the resilient and hegemonic capacities of capitalism. It proposes to examine the ways social relations of domination, subordination and organic interplay are produced, maintained, decomposed and delinked while continuously undergoing transformations. Inspired by the Gramscian and Polanyian theoretical and analytical categories, the paper analyses the fading “organic” linkage between state, market and civil society under transnational capitalism. It concludes that transnational capitalism is creating serious dual contradictions: the crisis of both hegemony and counter-hegemony. Transnational capitalism is not able to create a “transnational hegemony” similar to that under nation-state capitalism, nor is it able to foster a transnational consensual power of civil society and organic counter-hegemony social forces. Rather, transnational capitalism is producing the opposite result: reducing the legitimacy of capitalism’s hegemony and limiting its resilient capacities while creating non-organic counter-hegemonic movements in various forms and directions including fundamentalism and terrorism.

**Keywords:** globalization, capitalism, hegemony, passive revolution, double movement, resiliency, ultra-imperialism

## Introduction

### *Hegemony and counter-hegemony revisited*

The ability of capitalist class societies to adapt to change while retaining their essential features of organization and mode of functioning raises important issues for political and social sciences as well as for social movements. The concept of hegemony was sophisticatedly developed by Gramsci (1971), who used it to refer to a style of state politics that preserves control by a leading group on the one hand while instituting economic, social, political and ideological changes on the other. In other words, the concept encapsulates the means by which a dominant class is able to maintain a certain degree of consensual hegemony by neutralizing the pressures of various contending forces that might otherwise trigger profound structural transformations. Consequently, the defusing process is achieved without undergoing a political revolution that potentially could threaten the dominance of the leading group and the “modus operandi” of the system. It is in this context that the concept of hegemony should be understood as an expression of broadly based consent, manifested in the acceptance of ideas and supported by material resources and institutions.

Ideologically hegemony implies social consent which is regarded as a component of the system of democratic institutions and liberal ideology whereby the general interests of the population were to a larger extent taken into consideration by the leading class. This give-and-take strategy was functional to the stability of the social structure. Simultaneously, non-state or semi-state institutions such as education, the

media and the church exerted a significant impact on people's consciousness in influencing their ways of living thus contributing to the maintenance of the position and legitimacy of the capitalist ruling class.

Politically, this pattern of social control, which was part of a truce in the ongoing "war of position" in the post-World War II arrangements, revealed the potency embedded in bourgeois political hegemony. Its skilful competence in winning the "rule of legitimation" through the manufacturing of "false consciousness" (Gramsci, 1971) resulted in the acceptance of the perception of the capitalist political and economic system and social structures as inherently rational and natural. In other words, the ruling elites have been able to depoliticize social conflicts or issues of contention with "a 'prepolitical' process that constructs the public agenda and thus predisposes 'politics' to a narrowed set of choices" (Ross & Trachte, 1990:9). Not to be ignored however is that this political evolution was preconditioned on an economy characterized by a certain degree of employment and social security.

At the global level, Robinson summarizes some of the main interwoven conceptions of hegemony in the historical evolution of the world capitalist system: 1) Hegemony as international domination (domination in the Realistic tradition); 2) Hegemony as state hegemony (inter-state relations, the power of the core states); 3) Hegemony as consensual domination or ideological hegemony (soft power, rule by consent and cultural leadership); 4) Hegemony as the exercise of leadership within historical blocs within a particular world order (a hegemon-based historical project under a particular social structure of accumulation) (Robinson, 2005:1-2). These categories are not mutual exclusive but overlapping with each containing some elements of the other.

While Gramsci ascribed the willingness of the bourgeoisie to accept socio-political and economic reforms to the modalities of its rule, Karl Polanyi looked at the disfunctioning of the interdependency between society and market as the reason for the unleashing of tensions latent in the relationship. The constant attempt by the capitalist class to escape from the control of the state and society encapsulated in the endeavor to shift the balance in the "war of position" in its favor by imposing a "self-regulating market" leads to a political reaction in order to protect society from this utopian project. Thus in the Polanyian interpretation of the history of industrial capitalism, two movements are discerned. The one is the liberation of the market forces from political and social control, i.e., the "disembedding" of the economy. The other being the second phase of the "double movement" with the reimposition of political supervision and control of the market in order to safeguard the interests of society (Polanyi [1944]1957). This "reembedding" of the economy is society's spontaneous responses to protect itself against the advent of the logic of the markets.

Thus, while not abandoning the structural level of analysis, the attempt is made in the thrust of these two approaches to surmount the dichotomy between structure and agency and emphasize the role of politics in the evolution of capitalism. The combination of both insights is useful to the analysis of the turmoil of the 20<sup>th</sup> century with its alternance of revolution and counterrevolution, reform and contra-reform as well as war

and peace. Following the Great Depression, capitalism worldwide underwent a transformation based on the rejection of laissez-faire capitalism for a more regulated macro-economic system of controlled and rationalized production. This process can be identified as a “passive revolution” which found expression in the reorganization of capitalism in the 1930s and the postwar era through the adoption of the New Deal Keynesianism and Fordism in the United States and Europe.

While some countries reacted to the crises and potential revolutions in the first half of the 20<sup>th</sup> century through socio-economic measures preserving parliamentary democracy, the political elites of catching-up countries such as Germany, Italy and Japan resorted to Nazism and Fascism characterized by ultra-nationalism, militarism and contra-imperialism. Nonetheless, the common denominator for the reaction of all industrialized countries to the worldwide crisis of capitalism can be grasped in Polanyi’s “double movement”, i.e., the attempt to shield societies from the ravages of the world market and pre-empt the consummation of the “war of movement” into revolutions and class wars through a retrenchment from the international economy by the implementation of protectionism and self-centered economic policies.

As a continuation to the author’s previous researches on the evolution of capitalism (Li and Hersh, 2002, 2004), the point of entry of this paper’s analysis is derived from reflections over a number of challenging questions arising from the evolution of the capitalist system into the stage of transnational capitalism:

- How to conceptualize the notion of hegemony under transnational capitalism given its transformative differences from the nation-state and inter-state system?
- Can the resiliency of capitalism transcend to retain its passive revolution capacities under the conditions of transnational capitalism when the balancing mechanism of an *organic* transnational civil society is not yet in shape (an *organic* counter-hegemonic historical bloc)?
- If conventional boundaries of nation-states are becoming vague, how will classes and groups be integrated into organic social forces? And how will a transnational “common sense” and “collective will” (Gramsci, 1971) be generated?
- Where is the transnational “passive revolution” mechanism which is able to play the traditional role of neutralizing the inherent contradictions between productive forces which are becoming transnationalized and production relations which are still more or less nationally based?
- Can the “disembeddment” of transnational economy from societal constraints succeed in transforming the socio-economic pattern into a transnational market society, or will it release a new “second movement” (Polanyi, 1957)?
- Will transnational capitalism eventually develop the capacity of *trasformismo*<sup>1</sup> (Gramsci, 1971) whereby reformism, civil societies and subordinate groups are incorporated into the dominant project of transnational capitalism so as to prevent the legitimation crisis and the rise of counter-

hegemonic forces?

*Methodology: IPE with a combined approach of Gramsci and Polanyi*

An issue of debate is whether Gramsci's political theory with its basic notions and concepts rooted in a nation-state historicity can be applied to the analysis of international relations and international political economy in the contemporary era. An affirmative position stresses the criteria of whether Gramsci's political ideas are able to discern "long-term organic tendencies" and differentiate them from "immediate, contingent and short-term" effect so as to determine "what indeed is historically original and novel in social reality and what is the reproduction of the 'old', in different forms, that is, to understand the intersections of elements of continuity and change" (Sassoon, 2001:6). Gramsci's innovative conceptual framework of hegemony rejects the reduction of politics as a predetermined social topography; rather, it constructs politics as constitutive of the social itself. Thus, hegemony, from the Gramscian perspective, is more than economic dominance and is an art of politics that treats society not as a self-regulating totality but as a complex plurality of contradictions and antagonisms.

The critical position on extending Gramsci's conceptual relevance to the global level challenges the ontological and epistemological foundation of the neo-Gramscian school in bringing the historically specific notions and concepts of Gramsci's political sociology into the IR and IPE realms. The main points of the critique are: 1) the socio-historical origin of Gramsci concepts and theories cannot be directly reflected in their contemporary usage, such as an "transnational state" and an "transnational civil society"; 2) Gramsci's essential recognition of the material base of hegemony (the economic dimension) must be recognized even though his theory is often interpreted as being adeterministic and ahistorical structuralism underlining the role of ideas/ideologies (Germain and Kenny, 1998). In this connection, a similar point can also be leveled at the applicability of Polanyi's "double movement" – that is the transposition of the dialectics of civil society's organically organized counter-movement within the nation-state to the global level.

The paper finds it heuristic value in the application of the extended Gramsci's conceptual and analytical apparatus (hegemony, civil society and historical bloc) in combination with the analytical thoughts of Karl Polanyi concerning the dialectics of market-society relations to explicate our thesis on the crisis of hegemony and counter-hegemony under transnational capitalism:

- a) The disproportionate power of transnational capital expressed in its lopsided mobility decreases the "consent basis of hegemony" by having a negative impact on the system's resilient capacities shown in connection with the post-Cold War geopolitical changes;
- b) The relative decline of the state's intervention capability and policy-making sovereignty, together with the lack of organic civil societies as consent-generating mechanism in balancing and neutralizing contradictions reduces the system's "social basis of hegemony";

- c) Transnational capitalism is awakening the forces for the second phase of the “double movement” in an effort to re-embed the economy while the attempts at regulating the market partakes a potential impact on the interests of the core powers of the existing international system as well as on individual societies and people. This contradictory outcome is due to the nature of an established market system where society is already shaped and patterned in such a manner in order to make it function according to its own laws (Polanyi, 1957: 57).

### *Propositions*

The main analytical framework, on which the paper is based, proposes an analysis of present-day contradictions in the world structure as related to the questions of legitimacy, hegemony and the embeddedness of the economy:

- I. Globalization and transnational capitalism is challenging the foundations of hegemony of nation-state capitalism. Meanwhile, it is problematic to discern at the global level a similar scale of integration of state (political society with the key concerns on domestic politics) and civil society (“common sense” in connection with culture and religion). In other words, transnational capitalism does not really constitute *in organic substance* a “global state” vis-à-vis a necessary counterpart in the form of a “global civil society” which could represent the social basis of hegemony (Germain and Kenny, 1998: 15-16).
- II. Economic globalization through increased functional integration of markets is promoting a tangible historical bloc of global capital/elite classes but less-organically founded global civil societies; this makes it difficult to envisage a genuine Polanyian “double movement”, i.e. civil societies responding to the alienation and repression of the market. Both states (a tool promoting economic globalization) and transnational civil societies in their diversified forms are being currently pulled apart in various directions. On the one hand, states are becoming committed to the transnationalization of economic activities (production, finance and service), while on the other hand, they are organically tied to national structures through a wide range of functions and provisions, not least welfare.
- III. Many “resistance movements” found in the self-proclaimed transnational civil societies are not more than *conjunctural responses* to immediate effect of maldevelopments (poverty, environment, terrorism, etc.) or to general principles of common concern (democracy and human rights, etc) without any *organic foundation* in having concrete influence in both state politics and market mechanism.
- IV. Transnational capitalism in the short run serves the interest of capital but not of the capitalist system in the long run, the reason for being that capital is given excessive power in creating a

one-directional relationship in which hegemony is ever more defined by transnational capital class on its own terms and then imposed on the rest of the system. As a consequence, capitalism is bound to loose its resilient capacities and unleash tendencies leading to self-destructive dislocation and disintegration. This notwithstanding, any successful “double movement” against the ravages of neoliberalism remains embryonic due to the contradictory relationship between *market economy* and *market society* in which the market pattern and logic remains at the heart of the social organization; this means the returning to our original question regarding the realizable possibility of passive revolution at the age of global capitalism.

### **The crisis of hegemony of transnational capitalism**

The debate is still going on as to how to conceptualize the hegemony of transnational capitalism. One way to conceptualize the new form of hegemony is to see it as *transnational liberalism* (Agnew and Corbridge, 1995). The ideological base of the hegemony is *the market* (marketization and market-access) and the power base of the hegemony has transformed from hegemonic order/stability (*balance of power* under nation-state and inter-state structure) to hegemonic liberalism and market fundamentalism (*imbalance of power* under transnational structure) (Agnew and Corbridge, 1995). The hegemonic objective is to structure a global economic system with a dominant mode of production that is meant to be solely legitimate and universal. The best way to realize this objective is to set up new types of transnational institutions with laws and rules that not only preserve the traditional hierarchy but also generate interests for the expansion of transnational capital in new ways while setting up constraints for others.

For example, nowadays, the conceptualization of contemporary American hegemony under transnational capitalism is quite different from that which existed during the Cold War conflict that was defined primarily in terms of conventional Realism. Among critical theorists of international political economy, there has been disagreement regarding the extent of US dominance of the world system. While some adhere to a position of a weakening of American hegemony, others from a proto-Gramscian perspective and in response to the notion of “American decline” call for a dialectical understanding of American power (Cox, M. 2001: 324-327). According to this line of thinking, American hegemony in the era of globalization lies not only in its structural shaping power to impose order among nation-states, but also in its imposition of practices in the global economic system that are meant to be universal and superior to other types of economic models, such as that of the so-called East Asian “crony capitalism” or the European welfare state. Moreover, this hegemony is based less on the state but relies more on “a complex of international social relationships which connect the social classes of the different countries” (Cox, R. 1993:62) as seen most explicitly in the formation of a transnational capitalist class (Sklair, 1998, 2000)<sup>2</sup>.

This type of hegemony of intertwining capital and state poses both advantages and disadvantages to



the transnational capital class that on the one hand, “The TNS does not yet (and may never!) constitute a centralised global state and *formal* political authority remains to a considerable extent fragmented, and fragmented unevenly, among weaker and stronger national states.” But on the other hand, “This peculiar institutional structure, an historic contradiction of the global capitalist system, presents transnational elites with the possibility, and the need, to influence a multitude of national states” (Robinson, 2005:9).

As emphasized before, the Gramscian concept of social formation is less an economic mode of production but more a complex interaction of economic, political, cultural and ideological practices. Accordingly, people (classes and groups) who share the fundamental interests within the interaction are referred to as “historical bloc” or “social forces”. The inter-relationship between state, market and society is mutually determining and organically interdependent. Here, “organic” refers to the elements of linkages between the three, and when the “organic” interdependent linkage is decomposed or weakened, the moment of “hegemony crisis” begin to take place.

Cox has succinct descriptions of Gramsci’s notion of a “crisis of hegemony”:

What he identified by these terms was a disarticulation between social groups and their putative political leaders, in sum a crisis in representation. In such a situation, old and new social forces coexisted, but the old ones had become detached from the political organizations that had formerly represented them, and the new ones had not produced organizations or “organic” intellectuals who could lead them effectively and bring them into coalescence with existing social forces to form a new hegemonic bloc. Two outcomes are possible in an organic crisis: either the constitution of a new hegemony or caesarism, .i.e., the freezing of unresolved contradictions (Cox, 1986, p.273).

The crisis of transnational capitalism can be analyzed from two important perspectives according to Robinson (2005:12): A) a structural crisis of over-accumulations and social polarization (crisis of social reproduction, inequalities, and economic crises, the limit of expansion); B) a crisis of legitimacy and authority (the lack of consensual integration and mechanism of legitimation). In order to substantially verify these analytical propositions it is necessary to look at the new developments against the backdrop of the societal and geopolitical adjustments caused by the globalization process, which is bringing about transformative modifications to existing social, economic and political structures both nationally and internationally.

### *The “de-constructions” of transnational capitalism*

Transformation under transnational capitalism denotes a conceptual difference between *internationalization* and *transnationalization* (globalization). The former refers to “the extension of trade and financial flows across national borders”, whereas the latter implies that “the globalization of production has entailed the fragmentation and decentralization of complex production chains and the world-wide dispersal and

functional integration of the different segments in these chains” (Robinson and Harris, 2000:18-19). Transnational capital adopts a supraterritorial mode of organization: transnational mergers and acquisitions, global strategic alliances, and transworld business associations, thus increasing the level of concentration while at the same deterritorializing capital (Scholte, 1997:429). These transformations in the capitalist world system seriously affects the system’s constitutive rules and regulative capacities which are in the process of and transforming and restructuring. This process can be analyzed by looking at a number of changing relationships:

#### Organic relations decomposed: labour and civil society

The situation and status of the working class has, since the industrial revolution, been related to the position of the individual country on the international scene. From its genesis, capitalism developed unevenly in different parts of the world creating a system of dominating and dominated nations. When conditions of capital mobility are geographically limited within the nation-state boundary, it is possible for organized labour to compel capital into allowing it a certain participation in societal rearrangement, and not necessarily remain in a state of passive submission. In Gramscian terms, this path of passive revolution “is ‘negotiated’ by unequal forces in a complex process through which the subordination and the resistance of the workers are created and recreated” (Simon, 1982: 64).

In the context of war of position, the exploitation of working classes in developed countries historically went hand-in-hand with the economic surplus pumped out of the peripheral nations, which led to the improvement of workers’ well-being in rich nations. Internationally, this contributed to weakening global working class solidarity in such a way that “labour organizations in all of the advanced capitalist countries have not only supported their own multinationals in the brutal exploitation of the economies and workers of the poor nations, they have even supported wars in which the workers of one rich nation fought against those of another” (Yates, 2000:49). This has been empirically demonstrated in the case of the American hegemonic position. Modern history of the labour movement in the United States reveals that trade unions have been not only exclusionary in form but also pragmatic and selective in action. The objective of American organized labour solidarity was aimed not at conducting class struggle but at sharing benefits with business by supporting US corporations abroad and strengthening the country’s foreign policy regardless of the social costs on workers in other countries (Fletcher, 2003). As a consequence, this imperialist patriotism contributed to the distortion of US trade unions’ perception of globalization’s impact on the deterioration of their own job opportunities, welfare and social contract as well as on their understanding of the post-9/11 anti-terrorism policies.

In the present phase of transnational capitalism, the transnationalization of production and finance permits the use, or threatened use, of capital mobility and relocation of parts or phases of production to

countries and regions where low wages and politically-repressed working conditions provide a greater degree of surplus extraction and exploitation. Domestically, the mobility power of financial and productive capital as a historical bloc has thus *decomposed* the traditional organic interdependent relationships between the market, productive forces and production relations, thus weakening the bargaining power of trade unions both in developed and developing countries.

It is common that each nation-state's working class has its own historical heritage, its unique class formation, tradition and practices. However, as a result of the changing structure of traditional nation-based industrial production to one that is being restructured on a transnational scale, the global fragmentation and supraterritorial mode of accumulation means that class formation also appears to be less rigidly tied to territory and jurisdiction of nation-states in contrast to the traditional societal structure largely based on the dynamic interaction between national capital, workers and the state. According to one opinion, globalization is reorganizing relations to production by which "the proletariat worldwide is also in the process of transnational class formation" (Robinson and Harris, 2000:18-19).

Nevertheless, despite the increasing common awareness over the negative impact on jobs and working conditions in the industrialized nations, it is still questionable whether a burgeoning transnational working class is able to transcend the limit of a "class-*in-itself*" to become an organic "class-*for-itself*"<sup>3</sup> because it has not realized the fact that

The corporations operate only in their own interests. Sometimes these interests will coincide with those of a disadvantaged group, but only by disadvantaging another. For centuries, we have permitted ourselves to ignore the extent to which our welfare is dependent on the denial of other people's. We begin to understand the implications of the system we have created only when it turns against ourselves. (Monbiot, 2003)

An organic global working class-*for-itself* can be realized when working classes, especially in developed countries, are able to grasp the initiative in the war of position, whereby workers together create a counter-hegemonic alliance in the hope of challenging the continued dominance of capital. Under the present conditions, the formation of an organic transnational working class resistance to transnational capitalism under a collective and shared identity of interests has still a long way to go.

#### Organic relations strengthened: global capital

Historically, the capitalist world order developed from the *Pax Britannica* historical bloc marked by realistic common understanding of balance of power, harmony of interest and political multipolarity to the *Pax Americana* historical bloc marked by US unipolar leadership, formal international institutions, security alliance under a general framework of a Fordist-Keynesian social structure of accumulation with "moderate organized labour and big capital" (Gill, 2003:58). Now the shift is moving towards a transnational historical

bloc “an American-centred and –led *transnational historic bloc*, where organized labour has been virtually marginalized” (Gill, 2003:59).

The condition of globalization is imposing changes that affect the political constellations between the ruled and the ruling elites. This can be seen in the evolution of historical blocs which are in close connection with social movements to deal with specific historical conjunctures or solve concrete problems that have to be confronted by different social groups. According to Gill and Cox,

An historical bloc refers to an historical congruence between material forces, institutions and ideologies, or broadly, an alliance of different forces politically organized around a set of hegemonic ideas that gave strategic direction and coherence to its constituent elements. Moreover, for a new historic bloc to emerge, its leaders must engage in ‘conscious planned struggle’ (Gill, 2003, p.58).

In the struggle for hegemony, historical blocs form, dissolve and reform. For instance, in the current context of increasing awareness of the consequences of industrial capitalism on nature, big businesses attempted to mobilize a historical bloc around the theme of sustainable development against what it saw as a threatening counter-culture and movement organized around the powerful idea of the capitalist specificity of ecological crisis.

In the context of capitalism, competitive capitalist interests may, at least for a time, coalesce into a relatively unified hegemonic bloc. Seen from today’s transnational capitalism, the situation is perhaps more true than in Kausky’s time. The breaking-down of physical barriers promoting the convergence of international capitals means that transnational companies are not only global in what they produce and sell in many parts of the world, but become conglomerates united under similar interests. Former national companies have been merging with those of other countries maintaining a relation of hierarchical dependency to the larger ones. Thus, in the view of some scholars, the transnational capitalist class (TCC) is no longer “Western” but is “global” (Sklair, 2000).

According to this interpretation, the TCC is becoming the ruling class that controls global decision-making and shapes the development agenda; in other words, a transnational capitalist *historical bloc* has been created. Such a coalition encompasses the North-South dichotomy and consists of various economic and political actors including national elites (parties, media, technocracies and policy-makers), transnational corporations, global financial institutions, and international organizations (Robinson and Harris, 2000). In the new era of corporative capitalism, local and national markets are linked together into forming a global market while national capitals have fused into transnational capital. This bloc is striving to withdraw most of the concessions previously made as a response to labour pressures as well as to socialist and other anti-systemic movements. Its hegemony is said to be so decisive that whether or not its position and ideology is agreed upon by the society as a whole becomes less important. However, what deserves particular attention

with the rise of neoliberal globalization is the emergence of financial capital as an engine of capitalist accumulation.

With an estimated worth of \$360 trillion (larger than the value of the entire global economy), world financial capitalism is ushering an age of complexities and instabilities (Gilpin, 2001:6-7). The basic principles of finance, and related branches such as insurance, property market, stock market and public finance are not only increasingly integrating national economies into the capitalist world economy but also fundamentally changing the way economic activities are organized and operated. Contrary to conventional economic theory, financial capital, unlike productive capital, does not lead to relatively stable price formation based on a rational assessment over a number of criteria, such as management, products, marketing, or record of profitability. Rather, financial capital is highly speculative by nature and is inherently inclined to avoid the logic of equilibrium in favour of the momentum of self-fulfilling expectations as when a rising stock price attracts buyers who through these purchases further raise the price level to the point of creating a bubble. The East Asian crisis, the Mexican crisis and the Russian crisis were all indications of the grave consequences created by financial speculations that appear to be beyond anyone's capacity to control.

#### Organic relations weakened: state

Historically, it is not uncommon to establish an evolutionary connection between the emergence of capitalism and the rise of the nation-state because this connection is theorized from the prism of "modernity" and "rationalization especially from the European context (Wood, 1999). In the past long history of nation-state capitalism and inter-state capitalist world system, the hegemony of capital lies in a recurrent process of passive revolution in which the state neutralizes emerging contradictions by implementing mechanisms of redistribution, reorganization and arbitration. The state plays a key role in mediating relations between productive forces and production relations. Under crisis circumstances political and economic elites as well as organic intellectuals begin to initiate state interventions to deal with the situation on two fronts: 1) taking-over of the management and enforcement of negotiations in the controlling of society on behalf of the ruling group; 2) intervention in the economy in order to regenerate productive forces and relations of productions.

What is witnessed today is a situation in which transnational corporations, financial institutions and powerful individual investors have the capacity to move production to countries or regions where state's policies may be more compliant to their interests. They are thus in a position to influence states' foreign politics and development policies. In this general context, the social concerns of nation-states are being hollowed out by the promotion of neoliberal policies leading to a "race to the bottom". In order to accommodate the transborder processes of accumulation, states have become more and more instrumental to

global economic forces penetrating local borders and markets. They behave as organs of capital, destined to create favourable conditions for its maximal expansion. In Europe, the transition from the *welfare state* to the *competition state* has become a reality.

In contrast to this interpretation, some scholars argue that states and globalization are “mutually reflexive and are embedded in, or are co-constitutive of, each other”, which implies that globalization generates both constraints and opportunities for states (Hobson and Ramesh, 2002: 8). This notwithstanding, there is a general consensus today that globalization has largely weakened the state as well as national and global civil societies in which the power and dominance of capital resides. The French diplomat and political scientist, Jean-Marie Guehenno, argues that the idea of the nation-state as a political form spread from Europe over the rest of the world, but with the on-going weakening of the Western nation-states it is evident that capital, on the basis of new forms of technological modernization does not need the nation-state anymore (Guehenno in Grunenberg, 1998: 414). Nor does capital feel pressured by labour or anti-systemic forces. Other scholars, on the contrary, take an opposite position in claiming that the nation-state remains the primordial actor in both domestic and international economic affairs (Gilpin, 2001). In-between scholars recognize the interplays of continuity and change regarding the relationship between globalization and the state with a keen awareness of the notable changes in the character of the state in terms of capacities, constituencies, policy-making processes and contents, etc (Scholte, 1997). As Gindin puts it:

Neoliberal globalization also tends to undermine, or at least weaken the capacities of states to legitimate capitalism itself; the earlier promises of steady material security and growing equality have given way to the demands of competitive insecurity: that of growing control over our lives has been trumped by the requirements of expanded accumulation; free trade agreements expose the centrality of constitutionalizing and guaranteeing property rights over other rights (Gindin, 2003:121)

Economic globalization, especially financial and capital market liberalization, has systematically increased the process of the transnationalization of state autonomy in favour of global capital over national welfare social policies. Consequently, neoliberal globalization not only intensifies the global process of the “disembedded economy” - disembedding the market from society (Polanyi, 1944), but also further integrates and assimilates non-capitalist elements as well as non-market societies in its realm.

The general agreement is however that the nation-state does not have a free hand in decision-making but rather is dependent on decisions made by transnational actors. States are no longer the indispensable organizing principle of capitalism and the legitimate mediator between contending forces. The breakdown of social order and the collapse of state authority in many regions

The notion of social contract as citizen-state interactions has undergone dramatic transformations whereby the consent and consensus involving obligations of both citizens and government and accountability-control mechanisms are increasingly being marketized. Consequently, the “social” part of the contract is becoming less universal but more selective, while political participation is becoming less

inclusive but more exclusive. This implies the fundamental transformation of the essence of the social contract that - in its original meaning - emphasizes social and political rights. The concept of citizenship as a means of political rights and participation is changed into one of economic empowerment defined in terms of consumers and customers. Under the economy-dominated social contract, the market is ideologically perceived not only as a neutral place (institution) for the exchange of goods, resources and services, but also as the most efficient mechanism to regulate society and human relations.

In the context of developing countries, the global market contributes to transforming civil society into becoming a kind of “social cushion” as well as objective ally to neoliberalism, i.e. grass-root organizations across the world with an anti-statist ideology step in among conflictual social forces and function as mediators between local organizations, the free-market state, foreign donors and transnational companies (Petras, 1997:10).

#### The consequence of social order break-down: clashes of civilization/terrorism

Globalization is usually conceptualized in economic terms. However, it is equally a political process that has societal and cultural consequences. To the extent that the object of passive revolution is to maintain the hegemony of capital, the question that arises is: where are the counter-hegemonic forces that need to be defused through passive revolution? Is capital more threatened by the non-existence of contending political forces than by their existence? Who and where are the opponents in a world of capital dominance?

Most of the world has been unprepared for the new cleavages that have emerged in the contemporary world and which fall out of the traditional analysis. A surprising development after the West's victory over state socialism, interpreted triumphally as the “end of history”, has been the resurgence of religious and ethnic ideologies under violent forms and diverse expressions. This is considered to be the new challenge to the international order. Based on their own historical evolution, many in the West tend to assume that development following social, cultural, and economic modernization would ultimately lead to the marginalization of religion. In contra-point to this view Huntington has argued that the hegemonic dominance of democratic liberalism encompassed in the notion of “the end of history” would pave the way for religious and cultural counter-hegemonic forces. In this perspective, global boundaries will no longer be defined by states but by cultural identities and the confrontation between cultural and religious ideologies will replace the conflict between political systems (Huntington, 1993).

The 9/11 attack on the United States appeared to confirm the prophecy of the “clash of civilizations” by positing that the collision between West and Islam is the source of terrorism. However, the alleged conflict should not be one-sidedly conceptualized and theorized in terms of cultural essentialism. Rather, political Islamism can be analyzed as a counter-hegemonic project representing an outlet for action and a force for change. Conflicts between the West and Islam can be understood as a struggle between two rising

historical blocs: market dogmatism and Islamic revivalism (Li, 2002). Modernization and market fundamentalism cause severe disruptions in traditional ties of identity, authority and community b. This intrusion and the way it has been pushed forward can be identified as the source of religious resurgence as well as the rise of Islamic fundamentalism.

Contrary to the dominant discourse of modernization that tends to place the blame on traditional ideologies and societies for the “backwardness” of Muslim countries, there is a need to put the problematique in the context of international political economy (Hersh, 2000). Religion was in fact used during the Cold War era as a bulwark by the United States in the Islamic world against the nationalist forces of secularism and socialist modernization. As Ahmad put it: “The defeat and/or decline of the democratic, secular, anti-colonial nationalism has given rise, in a host of countries, from India to Egypt to Algeria, to hysterical, irrational forms of cultural nationalism and atavistic hysteria” (Ahmad, 2004: 57).

Since the objective of passive revolution is to consolidate the position of capital through adjustments in state-market-civil society relations, can it play a similar role in mediating the more fundamental clashes of deep-seated values and norms between market essentialism and religious fundamentalism? Where are the civil societies or other mechanisms, in this context, which can fulfill the role of mediating between global capitalist forces and cultural/religious anti-systemic movements (Islamic terrorism)?

### **The crisis of counter-hegemony**

Historically, the expansion and legitimization of the capitalist system is materialized through not only the productive and technological driving forces but also the political and military imposition of capitalism on extra-European areas as during colonialism. The post-war capitalist world order has been primarily maintained under the US “hegemonic stability” (*coercion* based on geopolitical and material necessity) in combination with a Cold-War ideological “historical bloc” (*consent* on the basis of anti-communism commonality). The end of the contest between socialism and capitalism following the rise of US unilateralism and militarism symbolizes the strengthening of coercive realism and the weakening of consent-based hegemony. The emphasis on the role of international institutions (the emphasis on the WTO and the rules of game) in the aftermath of the post-Cold War is part of the US strategy aiming at developing international rule-making institutions in order to make all states share the burdens (public goods) of regulating international relations without sacrificing its own political and military dominance. Transnational civil societies and social movements are an outcome of the wide-ranging social transformations, such as liberalization, marketization, privatization and democratization

The analyses of the previous section propose that globalization and transnational capitalism is NOT expanding the European type of nation-state capitalist hegemonic project around the centrality of modernity and rationality, rather, it is a “class project without a national strategy” (Robinson, 2005:11). As Deak



argues that capitalism “is moving towards a non-hegemonic world structure. The emerging conflicting power centres, or more precisely, the counter-hegemonic movements, are a direct result of the non-hegemonic moment” (Deak, 2005:50). Gill also maintains “any attempt to construct a hegemonic system of rule will tend to generate, dialectically, a set of counterhegemonic forces, which may or may not be progressive” (Gill, 2003:37).

One of the key questions this paper is addressing is whether hegemony and counter-hegemony embedded in the traditional system of national capitalism and inter-state order under American hegemonic stability is able to transcend to become “transnational hegemony” and “transnational counter-hegemony” under American dominance or class domination, not hegemony. In create terms, the questions are: 1) whether is resilient passive revolution capacity of capitalism able to transcend? 2) whether is the organic counter-hegemonic social forces able to transcend? These two aspects are two sides of the same coin.

#### *Wither transnational civil society?*

It is a less disputable fact that since the 1980s transnational civil societies grew both in number, size and scope as an outcome of the wide-ranging social transformations brought about by globalization, such as liberalization, marketization, privatization and democratization. However, it has been a continuous debate regarding the paradoxes of transnational civil societies as counterhegemonic social forces. A variety of social movements, under the banner of opposing the polarizing inequalities, declining social and environmental conditions, economic liberalization and unaccountable corporate power, etc, are coalescing into transnational networks in the process of shaping transnational civil societies. They protest against injustice, advocate radical democracy and promote global public sphere. They embraces participatory democracy but without a logocentric narrative or grand ideology such as liberalism and socialism (Esteva and Prakash, 1998). They believe in cosmopolitan or transnational citizenship and have a great faith in global governance. But the question is: whether are these cross-border interest groups, cultural groups and social networks able to create transnational organic social forces that are capable of reshaping the political structure of the global order and bringing about democratic and redistributive justice for the world system?

On concrete example of the conceptual problems regarding transnational civil society is the issue of “transnational citizenship”. A lexical interpretation of transnational citizenship refers to the extension of rights and political and social justice beyond nation-state boundaries. However, it makes big differences whether the criteria of “citizenship” is based on *rights* (citizenship rights in a nation-state framework), or whether it is based on *community/society* (membership rights within and across borders) since the former is enforceable and the latter is not (Fox, 2005:175) It is often used in connection with transnational social movements as “globalization from the below” in the sense that transnational pressure is mobilized to discipline domestic politics. Nevertheless, it is fundamentally different between citizenship rights defined

within an institutional framework and those are defined by collective action and shared identity (Fox, 2005:174). The challenge of applying such a concept is whether the objectives and expectations which the notion implies can be realized.

There are fundamental differences between the notions and functions of transnational civil society conceptualized at two levels - from the above (the capital class) and from the below (the working class and subordinate groups). For the former, transnational civil society can be utilized to politically *reduce* statism and authoritarianism so as to protect its economic position and class interest; whereas for the latter, transnational civil society seeks to *break* the monopoly of the economic classes. The contradiction is “transnational civil society from the below” still needs the individual states to make necessary social, political and economic policies so as to protect and improve its socio-economic well-being.

### *Wither “passive revolution”?*

The notion of passive revolution implies a transformation process - “revolution without revolution” (Adamson, 1980: 186) - i.e. crisis in hegemonic consensus and changes production relations are contained within existing social and institutional structure but without fundamentally challenging the established political order. The role passive revolution includes the use of trasformismo strategies to rein in popular support for the elite-engineered “revolution” - an elite project of change (Showstack Sassoon, 1987: 210).

The analyses from different perspectives on the impact of transnational capitalism from the previous section reveal areas of potential problems and conflicts in applying the concept of passive revolution. It can be argued that passive revolution has lost a great deal of significance after decades of transformations; and the instrumentality of this notion in the context of nation-state capitalism cannot be automatically applied to the understanding of reformism and resilience of transnational capitalism at a time when these mechanisms are urgently needed to deal with a number of vital backlashes created by globalization<sup>4</sup>. Transnational capitalism today does not possess the same kind of hegemonic resilience in which state, market and civil society respond to each other’s legitimacy. Furthermore, the analytical categories within global capitalism’s political order have not yet been fully developed, which makes it difficult to act either on the basis of state’s coercive power or on civil society’s consensual power.

In the past, capitalism survived from recurrent crises, assisted by both the trench system of civil society and the coercive apparatus of the state helping to provide a particular social with “a necessary combination of consent and coercion” (Cox, 1983:127). The regime change that is currently taking place in many parts of the world with the transition from “embedded liberalism” under a hegemonic structure to the disembedding of the economy under non-hegemony is threatening the former societal arrangement. The current world is seen as in a state of “non-hegemony” with resistance more related to the system’s legitimate crisis than to the contradictions of the system’s mode of production:

If hegemony is based on consent and effective inclusion of subaltern groups, then counter-hegemony would emerge from the contradictions of a non-hegemonic period. When consent or legitimacy of an ethical hegemony is lost, then subaltern groups become discontented. The conditions would be ripe for a legitimate and popular challenge the social order that had marginalized them. (Deak, 2005:50)

In essence, this evolution means entering uncharted territory with the world having to cope with transnational and financial globalization as dictated by the hegemony and strategies of neoliberalism. In this context however, the question that arises is whether and how capitalism is able to transgress the historical limits of its *modus operandi* that permits and reinforces capital accumulation without generating counter-hegemonic blocs and anti-systemic movements?

In political terms, the second phase of the “double movement” brought about through the implementation of Keynesian macroeconomics and the welfare state, could be understood as a “passive revolution” of the bourgeoisie, i.e. reforms in socio-economic conditions. In contrast, the present offensive of market neoliberalism can be conceptualised as the “active counter-revolution” of transnational corporate capitalism. While social-democratic reformism aim ostensibly at the formation of a permanent alliance between labour, capital and the state, market neoliberalism aims at the deconstruction of this structure and the utilization of the state in returning labour to a subaltern political position. While the agency of the state had partially protected society from the market forces at the global level, the post-welfare state, in contrast, has become the transmission belt of globalization. That is articulated in the adjustment of domestic societies to the requirements of global capitalism and the redistribution of the economic surplus in favor of the transnational capitalist classes worldwide.

The stability and resilience of social power in modern capitalism has rested not just on the coercive apparatus of the state as traditionally understood, but also on eliciting consent through hegemony in consciousness and non-coercive sphere of “civil society” into forming the “extended state”. However, we are currently at a historical moment in which the “disembedded economy” at both the national and international levels is substantially raising the coercive potentiality of capital. The uncontested power of capital is at the same time reducing the consensual capacity of the elite class and is creating the fertile soil for a “double movement” in the form of worldwide anti-capitalism and anti-globalization movements joining forces in de-legitimizing the on-going coercion of market capitalism. As expressed by Mittelman, there might be a similarity with the period around the Great Depression:

Perhaps similar to the global economy of the 1930s, contemporary globalization appears to be approaching a conjuncture in which renewed liberal-economic structures will generate large-scale political, social, and economic disruptions, as well as sustainable pressure for self-protection (2000: 8)

### *Wither “double movement”?*

While the Gramscian political analytical framework guides us to look into the dynamics of social relations and the dialectical roles of different social forces on which capitalism’s resilience, sustainability and hegemony is built, Polanyi (1957) draws our attention to the market-society relations encapsulated in the “double movement”: on the one hand, the market (fictitious commodities) continuously extends its sphere by marketizing noneconomic aspects of human life in the way that human relations are constantly converted into impersonal ones or into acquiring a thing-like character, whose result is the disintegration of social bond which is an essential constituent of humanity; but on the other hand, as humans are not guided solely by economic motivations, they consciously or unconsciously resist marketization by reclaiming their humanity, i.e. sociality, dignity, freedom and sense of security, as well as by reactivating the essential role of the state as the institution that can be used to discipline the market. Thus double movements are embedded in the state-civil society relations as well.

The contemporary debate over the interpretation of the notion of “double movement” in re-embedding the economy lies in whether this concept should denote “societal protectionism” and “political intervention” to control or regulate the market’s mode of functioning, or whether it should imply that re-embedding in a given market society can only be achieved through “a complete subjugation of the market” rather than any attempt to control it (Lacher, 1999a: 315). The complexity of the “double movement” in market society as a given structure is spelt out by Polanyi himself:

Our thesis is that the idea of a self-adjusting market implied a stark utopia. Such an institution could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness. *Inevitably, society took measures to protect itself, but whatever measures it took impaired the self-regulation of the market, disorganized industrial life, and thus endangered society in yet another way.* (1957: 3, italic added)

The dialectic dilemma as Polanyi explains is that when “society” is pegged to the “market”, it becomes complicated in the sense that the divisions in society between those who do and do not benefit from the market and “the economy”, including the institutions of market society, are always shaped by political struggles

Based on the above understanding of capitalism, the common simplification of Polanyi’s market critique within IPE is challenged on the basis of the historical evolution of the industrial revolution, meaning that capitalism’s unique character as a form of economic organization has institutionalized the embeddedness of economic rationality and principles in social relations. This implies that counter-movement is not without problematic consequences and the social democratic model was only a partial decommodification of the economy because of its non-eradication of labour as a commodity. In a contribution aiming to dispel the confusion surrounding the question of the transition from the welfare state

to the neoliberal competition state, Lacher puts it in the follow manner, “Precisely because the postwar economy had not been re-embedded, it was possible for the welfare state to succumb so rapidly to the revival of laissez-faire ideology” (Lacher 1999b: 350)

### **Conclusion**

The contemporary coercive expansion of capitalism and the post-Cold War withdrawal of the United States as the only stabilizer of global hegemony together with its unpopular foreign policies after the 9/11 crisis have brought about the crisis of hegemony of the capitalist system as well as the marginalization of consent/consensus-generating elements, i.e. the institutions, practices, and social relations that constantly exist as alternatives or balances of power. Consequently, without consent-building capacity, transnational capitalism entails a self-denial potential towards dissolution and disintegration, unless a powerful transnational social force is successful in generating a transnational “double movement” to push capitalism to negotiate a substantial process of passive revolution. At the present time, it is still difficult to foresee the possibilities of an effective global counter-hegemonic project able to generate the possibilities of embedding global capitals and markets in shared social values and responsibilities. The key issue (conundrum) that needs to be understood is the nature of the totalizing force of capitalism vis-à-vis counter-movement in a nexus of hegemony and contradictions.

The difficulties of forming a counter-hegemonic historical bloc compelling capitalism to engage a genuine process of “passive revolution”, as analyzed earlier, partake the complexity of the “double movement” in regulating the market. Both Gramsci and Polanyi, independently, converged on a similar critique and transcendence of mechanical Marxism aiming to grasp the dialectics behind state-market-society relations with the dynamism and complexity of society as a key to understand the durability of capitalism in a global order. As Burawoy pinpoints:

We can stretch Gramsci and Polanyi to generate new insights into the idea of the transnational society. From a Polanyian perspective, we can think of the way transnational society is forged in response to commodification generally but in particular to the commodification of land, labor, and money. But we must be very careful not to romanticize this transnational society. It, too, is a very uneven political terrain, populated by hierarchies of power, sloping down from center to periphery, and having its own fissures and ravines. From a Gramscian perspective, we can think of transnational society in its relation to supranational state-like agencies, but that connection contains struggles against capitalism as often as it provides grounds for its transcendence. (Burawoy, 2003).

This well complements this paper’s proposed contradictions of transnational capitalism as a dialectical and dynamic unity embedded in the interaction of reciprocal and paradoxical relations, which, on the one hand, opens the door for progressive transformations, while on the other hand, sets the limit of counter-hegemonic protectionism within market society. The paper has to come to the conclusion that a return to the

reformism of the double movement and passive revolution does not have favourable conditions for implementation under the current situation.

## Note

<sup>1</sup> Trasformismo used by Gramsci refers to a strategy of elite politics aiming at accommodating opposing forces that may disrupt the status quo and threatening the hegemony of the elite. It concludes the creation of a flexible, centrist coalition of government to isolate the extremes of the left and the right and the incorporation of extended cultural, social, economic, and political networks.

<sup>2</sup> The transitional capitalist class encompasses four main interlocking groups: 1) TNC executives and their local affiliates, 2) globalizing bureaucrats, 3) globalizing political and professionals, and 4) consumerist elites.

<sup>3</sup> Class-*in-itself* refers to the general common characteristics of being a worker in relations to the conventional classification based on production relations. Class-*for-itself* refers to the category of self-activity and self-representation, i.e. collective political identity and common struggle. The difference between them is political, i.e. while everyone works for a living, not everyone struggles against injustices embedded in work and fights for a common course. See Lewis A. Coser, *Masters of Sociological Thought: Ideas in Historical and Social Context*, 2nd Ed., Fort Worth: Harcourt Brace Jovanovich, Inc, 1977.

<sup>4</sup> John Gerard Ruggie (6 June 2002), in a lecture given by to the London School of Economics, described three key globalization backlashes: 1) Globalization distributes benefits highly unequally; 2) There is a growing imbalance in global rule making; 3) Globalization is generating greater vulnerability to unfamiliar and unpredictable forces leading to economic instability and social dislocation. See the lecture transcript *Taking Embedded Liberalism Global: The Corporate Connection* available at: <http://www.lse.ac.uk/collections/globalDimensions/globalisation/takingEmbeddedLiberalism/transcript.htm>

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