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# **Global Capitalism and the Crisis of Passive Revolution**

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# Global Capitalism and the Crisis of Passive Revolution

Li Xing

## *Abstract*

This paper attempts to apply, expand, reaffirm and modify the conceptual notion of “passive revolution” as an explanatory tool for analyzing globalization and global capitalism in a new light. The expansion of capitalism as a political project is undertaking a radical restructuring of social relations. With the coercive rise of capital and the weakening of state and civil society, the neoliberal historical block has reshaped the terrain and parameters of social, economic and political relations both at the national but especially at the global level, which has unconstructive impact on the resilient capacities of capitalism. This paper purposes an examination on how the relations of domination and subordination are reproduced and how they are continuously undergoing transformations. Through studying the evolution of capitalist world order in a historical perspective and through exploring the new changes of relations brought about by the intensified globalization process since the 1990s, it intends to offer a framework of dialectical understanding of the impact of globalization through applying Gramscian and Polanyian theoretical and analytical approaches so as to argue that globalization is also producing the opposite function of de-legitimizing capitalism’s hegemony and especially its passive revolution capacities.

## **Introduction**

### *Passive revolution and hegemony*

According to Sassoon (1982:15), the notion of passive revolution derived from conservative tradition going back to Edmund Burke who argued that in order to preserve its most essential features society had to change. It was further developed by Gramsci, who used it to refer to a style of state politics which preserves control by a group of leaders on the one hand and institutes economic, social, political and ideological changes on the other. In other words, it describes the means by which a dominant group maintains hegemony by neutralizing various contending forces which might result in a profound social or political change. The defusing process is achieved without undergoing a political revolution which potentially threatens the dominance of the leading group. Hegemony is understood as an expression of broadly-based consent, manifested in the acceptance of ideas and supported by material resources and institutions.

To associate passive revolution to a more concrete conceptualization, bourgeois democracy, in the view of Gramsci, ensures that the possible effect of bourgeois democracy with its emphasis on individual and group will not undermine the fundamental capitalist mode of

production on which bourgeois dominance depends. In other words, bourgeois hegemony is identified as “a political consent account of consent whereby extra-economic modes of domination serve to enforce a ‘dominant ideology’ favourable to the reproduction of capitalist relations of production” (Martin, 1997: 51). Lenin described bourgeois democratic politics as “the best possible political shell,” which tolerates and encourages superficial democracy among all classes in order to rationalize its image as the universal representative of the interests of the whole society. Until the bourgeoisie is able to go beyond its narrow corporative interests, to exert a moral and intellectual leadership, and to make compromises (within certain limits) with a variety of allies, who are unified in a social bloc of forces, which Gramsci called the *historical bloc*, its hegemony is established on the basis of convergence of its interests and those of all subordinate classes. In this way, the social order, which the bourgeois ruling class has created and recreated in a web of institutions, social relations and ideas, represents a basis of consent (Bottomore, 1983: 201). The process of realizing such an order is *passive revolution* in which the bourgeoisie responds to an organic crisis by making necessary compromises and modifications as well as social reorganizations so as to re-establish its hegemony.

Hence, the power embedded in the hegemony of bourgeois ideology is its skillful competence to win the “rule of legitimation” through materializing the “false consciousness” which perceives the capitalist political and economic system and social structure as being rational and inevitably natural. In other words, it is able to depoliticize social conflicts or explicit contentions with “a ‘prepolitical’ process which constructs the public agenda and thus predisposes ‘politics’ to a narrowed set of choices” (ibid.: 9).

Bourgeois hegemonic dominance can be seen not only at the national level but also at the global level. With the disappearance of the ideological challenge of socialism and in the current globalization process characterized by the transformation of ideologies from pro-socialist and pro-labour systems of social welfare to individualist private capitalism, what we are witnessing is closely related to Gramsci’s idea of capitalist (bourgeois) hegemony. The power of modern capitalism has the ability to prevent political, economic and social conflicts from reaching a level of revolutionary crisis: in the United States, for example, “struggle over the ownership of the means of production, that is, socialism, has hardly ever reached the public agenda” (Ross & Trachte, 1990: 9). And in this respect, the hegemony of capitalism can be understood to possess not only “the ability to prevail in conflict” but also the “ability to mold the ways in which actors understand any potential conflict” (ibid.: 9).

It has been debated that Marx perhaps underestimated the capacity of the bourgeois class to

contain the emerging social crises and to accept a process of reorganization through compromises in order to reestablish its hegemony. What Gramsci saw was that capitalism worldwide was undergoing a series of transformations from laissez-faire capitalism to a more regulated system based on controlled and rationalized production. This is what he called “passive revolution,” such as the reorganization of capitalism in the 1920s and 1930s in the United States and other European countries (Fordism, Keynesianism, New Deal), etc. However, in some other parts of the world capitalism was in deep crisis after the World War I and following the victory of the socialist revolution in Russia in October 1917. The systematic “breakdown” of conditions of capitalist mode of production in many countries such as Germany, Italy and Japan together with the potential of proletarian revolution generated the rise of Fascism leading to the World War II.

These far-reaching modifications in the economic structure were accepted by the ruling class in order to defuse the social contradictions. This “compromise” refers to certain realization of general consensus or consent through which social control is maintained. Politically, in Western capitalist societies social consent has come to be regarded as the system of democratic institutions and liberal ideology through which an exchange of ideas between the population and the state seems functional to the stability of the societal structure.

#### *Objective and methodological consideration*

In our early publication (Li and Hersh, 2002) we attempted to provide a framework for understanding capitalism’s passive revolution - resilient adaptability - from two perspectives, namely liberal democracy and ecological environmentalism. Both are conceptualized as capitalism’s passive revolutions in response to emerging crises, i.e. processes of constituting and reconstituting conditions for production and reproduction. Liberal democracy is seen a political restructuring strategy aiming at producing social control with less coercive measures as well as depoliticizing social contradictions and economic crises. Ecological environmentalism is argued to be capitalism’s ecological restructuring attempt at the economic level in order to rescue an economic system at an impasse and to resolve the contradictions between production relations/forces and the externalities of production.

The idea of this paper intends to expand and explore the notion of “passive revolution” as an explanatory tool for analyzing global capitalism in a new light. The expansion of capitalism as a political project (Li and Hersh, 2003) is undertaking a radical restructuring of social relations. With the rise of capital and the fall of state, the neoliberal historical block has reshaped

the terrain and parameters of class struggle, which has shifted the balance of forces in favour of transnational capital. This paper purposes an examination on how the relations of domination and subordination are reproduced in new forms and how they are continuously undergoing transformations. It intends to explore the dialectics behind the rise and expansion of capitalism and the impact on the resilient capacities of capitalism.

The point of departure of this paper's analysis is derived from the thinking over a number of challenging questions: Can capitalism's resiliency still remain when boundaries between nation-states are disappearing? When the productive forces are becoming globalized whereas the production relations are still locally based, will passive revolution be able to play the traditional role to neutralize the sources of contradiction between productive forces and production relations? How can the shortcomings of capital be counteracted, if it has a total freehand to monopolize the decision-making power? If conventional boundaries of nation-states are becoming vague, where is the space and where are the boundaries of civil societies? At the current historical movement when capitalism has become a truly universal system with every state and actor subjecting to its logic, will passive revolution be able to ascend itself to become transnational so as to sustain global capitalism's hegemony in maintaining its political and economic order? In other words, can resiliency survive under global capitalism in which fundamental changes are taking place in relations of international political economy between capital-labour, capital-capital, capital-state in which domestic politics and policies are increasing intertwined and nation-states are finding it difficult to respond, in the name of the "national interest", to global political challenges?

Theoretically, this paper proceeds with many conceptual vocabularies with which Antonio Gramsci operates, and the point of departure in our theoretical framework for conceptualization and analysis is inspired and derived from the Neo-Gramscian School of international relations introduced in the 1970s and further developed in the 1980s and 1990s as well as the analytical thoughts of Karl Polanyi on the dialectics of market-society relations. What the paper intends to aim at is to modify, expand as well as reaffirm the value and applicability of the Gramscian and Polanyian thoughts as an analytical tool for understanding the historical transformations in international relations and world orders.

Methodologically, it is based on a relational-historical approach with former emphasizing the *relation* and *interaction* among factors in the process and the latter stressing the *transformative* and *dynamic* nature of the process. Through studying the evolution of capitalist world order in a historical perspective and through exploring the new changes of relations

brought about by the intensified globalization process since the 1990s, it intends to contribute a new perspective of understanding to argue that globalization is also producing the opposite functions of de-legitimizing the on-going global capitalism's hegemony and especially its passive revolution capacities.

Our conclusion is two-fold: Firstly, the coercive rise of capital together with the new social forces it has created is marginalizing and weakening the resilient capacities existing in capitalism, i.e. a set of institutions, practices and mechanism that constantly exists as problem-solving means to cope with the situation in which the dominance of capital has the tendency to run rampant leading to dislocation, disorder, dissolution and disintegration. Secondly, worldwide resistances to global capitalism, from the perspectives of Polanyi's *double movement*, will push forward to rehumanization of economy as well as revitalization of the essential role of the state as the institution that is able to discipline the market. The forces of resistance will perhaps be able to generate new social forces in restructuring hegemony of individual nation states as well as the world order, thus compelling capitalism to start a new round of passive revolution.

### **Passive revolution and capitalism**

#### *Capitalism's economic and political order*

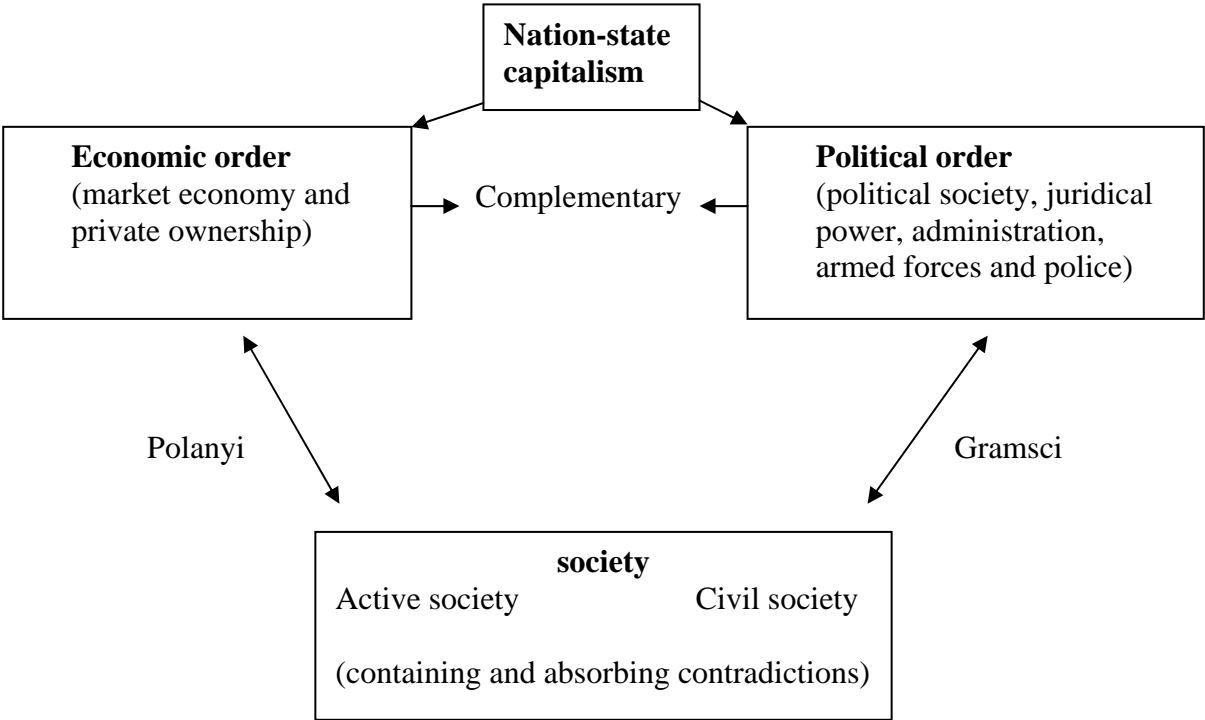
Capitalism, like all other social systems, must require a social structure of vertical and horizontal order. The market represents the vertical order, whereas democracy represents the horizontal order. The fundamental task of the capitalist political order must not only protect its economic order through laws and regulations but also facilitate all mechanisms in which the market can fully develop, expand and flourish. In other words, the capitalist political order must assist the economic order on which the hegemony of the dominant class is based. To lose the economic order is to lose the reproduction of the material basis on which the dominant class will rely to sustain its hegemony. democracy and vice versa. The mechanism of market economy needs private property, individual profit-searching, innovation and entrepreneurship which would not prosper without liberal democracy since it embraces freedom of ideas, speech and movement and popular support. Hence, they appear to be mutually dependent and deeply intertwined.

A correct conceptualization of state-market-society relations in established capitalist societies is of great significance to the understanding of why advanced capitalism already rebuilds itself. In this connection, both Polanyi and Gramsci have in their own ways converged on the importance of the concept and role of *society* in understanding modern capitalism in which "a specific institutional space within capitalism between economy and the state, but where

‘civil society’ spills into the state, ‘active society’ interpenetrates the market” (Burawoy, 2003:198).

For Gramsci, society is *civil society* which comprises non-state and private organizations and which is the key source of consent. The real hegemony of advanced capitalism is built on a well balanced combination of political society (state) and civil society. Whereas for Polanyi, society is *active society* which has a contradictory and complementary relations with the market (Burawoy, 2003). The market has the tendency to de-humanize the society and at the same time society (people) reacts to re-humanize the market, a process of struggle and adaptation from both sides, which is logically similar to Gramsci’s approach to the relationship between state and civil society.

Figure 1: The constant process of passive revolution and equilibrium between capitalism’s political, economic and social orders



Within a capitalist *society*, a variety of social relations are embedded in diverse institutions and organizations which cannot be defined within the category of either state and market, such as political parties, trade unions, the mass media, churches and non-governmental organizations. To deal with these complex relations, the political order aims not only at legitimizing the rule of *capital* at the system level, but also at receiving tacit consent to the *status quo* from all subordinate classes and social groups, especially from organs of public opinion such as

televisions, newspapers and various associations. In these complex relations, the state can be identified as *force plus consent* (Gramsci, 1971:263), in which *political society* (state) organizes force whereas *civil society* provides consent - a balance between political and civil society. It is on the levels of both political and civil society that the true and comprehensive notion of hegemony is finally maintained and consolidated: on the one hand, the civil society corresponds to the function of hegemony; on the other hand, the political society maintains hegemony through forced coercion of state "juridical power." The relationship between political and civil society has to be continually readjusted and renegotiated.

### *Passive revolution*

In many ways liberal democracy as the key element of capitalism's political order can be conceptualized as "the resiliency of capitalism's various political forms - a resiliency which exists despite the fundamental contradiction at a stage in history between the forces of production and the relations of production" (Sassoon, 1982:135). Resiliency implies a reciprocal and dialectical reform process of compromises and negotiations between the dominant bourgeois class and subordinate classes. It seems "as if the relations of capitalist production were possessed of a certain capacity for internal adaptation to the developments of the forces of production, a certain plasticity, which allows them to 'restructure' in periods of crisis"(Buci-Gluksmann, 1979:209).

This process of constant reorganization and restructuring of state power and its relationship to society is what Gramsci (1971) called *passive revolution* in which the capitalist classes respond to an organic crisis by making necessary compromises and modifications as well as creating social reorganizations in order to reestablish its hegemony. Capitalist reformism is a way of passive revolution in which the integration of piecemeal reforms into a strategic process of qualitative change in a progressive fashion:

The acceptance of certain demands from below, while at the same time encouraging the working class to restrict its struggle to the economic-corporative terrain, is part of this attempt to prevent the hegemony of the dominant class from being challenged while changes in the world of production are accommodated within the current social formation.(Sassoon, 1982:133)

Under all circumstances, the upper economic class must create and maintain an equilibrium between its own fundamental interests and those of subordinate classes. Hence, the dominant mode of production must be preserved while at the same time the consent from the subordinate classes to the rule of the economic class is not withdrawn.

From a classical Marxist point of view, in capitalist society the above equilibrium cannot sustain due to the inherent contradictions between the excessive profits of the bourgeoisie class and the wage level of the working classes that tend to break the societal equilibrium. However, as time passes on, the capitalist classes in modern and advanced industrial economies have realized the necessity to develop a capacity, for the sake of maintaining the economic order, to reward the material and political demands of the subordinate classes without giving up the mode of production and their fundamental class interest. In other words, they are able to maintain the fundamental but often *unstable* equilibrium: on the one hand, to earn enough profit for capitalist accumulation and reproduction, and on the other hand, to realize material well-being for the masses so that they accept with consent the rule by capital.

### **The US hegemony and the post-war world order**

It should point out that the original Gramscian notion of passive revolution is historically and conceptually confined within the state together with many other conceptual categories, such as civil society, ideology, class, politics, etc. Although these analytical categories can also be applied in studying international relations as the Neo-Gramscian School<sup>1</sup> does, one conceptual category is missing, that is “society” at the global level. Unlike “society” within the nation-state premise, the world has an economic order and a political order, but it does not really constitute a “world society” where the generation and re-generation of world hegemony can be realized. Therefore, this section proceeds to see how passive revolution can be conceptualized at the international level by looking into the role of the United States as a hegemon in restructuring and maintaining the capitalist world system since the end of the Second World War.

#### *The US hegemony and the post-War world order*

In order to understand the current globalization of capitalism as part of world historical process, one has to take into consideration the vital role of the United States in preserving the hegemony of capitalism as the world system.

Shortly after the Second World War, the world was divided into two major blocs with the United States as the leader of the capitalist camp. In order to save capitalism and counterbalance the challenges from the anti-system movements<sup>2</sup>, the United States was willing to shoulder the cost of sustaining the necessary conditions for producing and reproducing capitalism’s hegemony (political and economic order) by extending its responsibilities beyond its own territory. The role of the US in unilaterally embrace of broad unification of various global forces

under the general consent of mutual interest in preserving the functioning of the capitalist world system can refer to what Gramsci called a *war of position*.

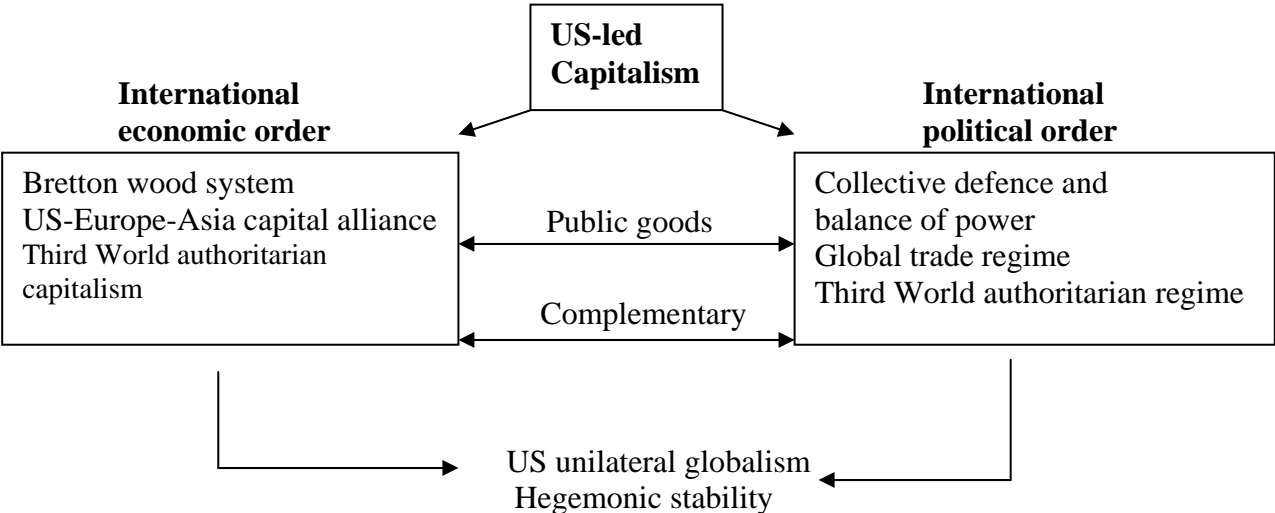
Since the United States emerged from the Second World War as a dominant political, economic, and military power in the international system, it played a significant part in contributing to world economic development in the postwar era. For economic and political reasons the United States committed itself to the revival of a liberal international economy, an international division of labor, resource and market access that benefited itself and its allied states. The entire role played by the United States since the Second World War is theorized by the realist school as “hegemonic stability” through providing the “public goods”. As a benign hegemon, the American role during this period was *structural leadership*, i.e. “the ability to direct the overall shape of world political order” based on resources, capital, technology, military forces and economic power (Ikenberry, 1996:389)

The realist theory of hegemonic stability is premised on public goods assumptions. Perceiving states as interest maximizers, realists argue that under a normal circumstance, an individual state does not have the incentives to provide public goods because the gains from free-riding on others outweigh the rewards from cooperating, and the costs of being ridden upon are greater than the benefits from autonomy. Only a hegemonic superpower with sufficient political and economic resources assisted by its military capabilities is able to provide or to induce others to provide their share of the public goods. These public goods are identified as “free trade, peace and security, or at least a balance of powers and a sound system of international payments” (Balaam & Veseth, 1996:51). The most important role of the hegemon is to set and enforce the rules of the game for international political and economic relations with a built-in bias in favour of the hegemon as well as the continuous functioning of the capitalist world system.

The aftermath that followed the Second World War saw the heyday of American hegemony when both rival and allied powers alike were in ruins or exhausted by the war. The post-war world order was designed and maintained by the United States that was capable of imposing discipline on the system as a whole in the name of “common interest” for all parties. Such ‘imposition’ of hegemonic stability cannot simply be regarded as a by-product of manipulation or coercion by force. It must also comply with a genuine ability of combining coercion and consent in the shape of a leadership to transfer its economic dominance under a general unification of the camp of capital to political and ideological hegemony. The Bretton Wood institutions can be seen as the results by such a leadership to negotiate and unify the international rules and to prevent redistributive crises and various forms of “anti-system”

movement<sup>3</sup>. The incorporated mechanisms of these institutions were also devised to supervise the application of the system’s norms (Cox, 1981:145).

Figure 3. the post-war world order and the role of the US



It is commonly recognized that the United States, after the Second World War, had been the benevolent hegemon who bore most of the costs and public goods of maintaining the capitalist world system, and who also reaped most of the benefits – an important aspect of passive revolution. Understanding that its own prosperity was tightly bound to the operation of the global system and the success of its allied countries, the United States was willing to maintain the security and prosperity of other partner nations. This can be seen from the American roles in the Bretton Woods monetary system, the Marshal Plan, the Korean War, the NATO, the Vietnam War, etc..

American post-war foreign and economic policies aimed at fostering developmentalist, authoritarian and anti-Communist states in different parts of the world. In Europe, afraid that mass poverty would eventually facilitate Communist expansion, American post-war policy “Marshall Aid” was used to revive the Western European industries within the possibly shortest time. In East Asia the central theme of American post-war policy was basically the same as its policy in Europe: that is to revive the Japan-centered capitalist regional economies including South Korea and Taiwan. Under American protection, external military threats and the internal danger of communist expansion were substantially reduced in these two regions. The burden of the allied countries’ military expenses was also greatly reduced by the American military

presence. American military bases have been documented to have not only protected these countries but also provided them with economic benefits such as employment. Even now, the withdrawal of American military forces would be considered as a substantial economic loss.

### **The US hegemony and the post-Cold War world order**

The political debate between Lenin and Kautsky on the possibility of “ultra-imperialism”<sup>4</sup> has a great deal relevance for analyzing both the post-war and the post-Cold War international political economy. After 1945 the US capitalism, acting in the interests of the world capitalist system as a whole, established a kind of “ultra-imperialist” economic order under its hegemony through effecting a reorganisation of the world economy, thus creating the conditions for the continuation of capitalist accumulation. The coordination problem within the world system was satisfactorily resolved by “the existence of a superordinate power, capable of imposing discipline on the system as a whole, in the common interests of all parties” (Anderson, 2002: 20-21). As long as the level of economic growth and capital surplus are maintained, an unstable equilibrium between different sections of capital and between states is possible.

#### *The US hegemony from ultra-imperialism to imperialism*

The United States after the Cold War is facing a world in both Kautsky’s and Lenin’s perception. Kautsky believed that international relations were determined by what he referred to the “inter-capitalist class”, whereas Lenin perceived international relations as competition among states and the relationship between capitalism and international relations was irreconcilably contradictory. Thus, American political and economic policies in the post-Cold War era were aimed at managing global affairs based on a hybrid of Kautsky’s and Lenin’s analyses: On the one hand, the United States “has aimed at the unified, liberalized international capitalist community Kautsky envisioned”, and on the other hand, “the global role that the United States has undertaken to sustain that community is determined by a worldview very close to Lenin’s (Schwarz, 1996:100).

Now the United States faces the real possibility of two-front economic conflicts with both Europe and East Asia (Bergsten, 2001). The vanishing of the Soviet threat together with the increasing multipolarization of the world economy has reduced the vital role of the American security umbrella over Europe and Asia. As a result of these developments, “The security glue that traditionally encouraged the postwar allies to resolve their economic differences no longer exists” (Bergsten, *ibid.*:21), and their differences in bilateral or multilateral economic issues as

well as global and regional security and environment concerns matter more than their traditional alliance<sup>5</sup>.

Within the United States, the perception of the need of renewed American leadership reflects what is called New Wilsonianism, i.e. a hegemonic spirit emerged in Washington by an implicit alliance of both international liberals and unilateralist neoconservatives who believe in aggressive US leadership for its own benefits and for the world's own good (Pfaff, 2001:221). In the view of Kagan and Kristol the hegemonic position which the United States enjoys after the Cold War must be maintained because

Today's international system is built not around a balance of power but around American hegemony. The international financial institutions were fashioned by Americans and serve American interests. The international security structures are chiefly a collection of American-led alliances. What Americans like to call international "norms" are really reflections of American and West European principles. Since today's relatively benevolent international circumstances are the product of our hegemonic influence, any lessening of that influence will allow others to play a larger part in shaping the world to suit their needs. States such as China and Russia, if given the chance, would configure the international system quite differently. (Kagan and Kristol, 2000:61)

Thus, American theorists and practitioners of foreign policy have been looking for a new paradigm to govern global affairs. In the view of Haass (1997), the world today is in an era of "deregulation", i.e. it is no longer regulated by superpower rivalry, and therefore, the United States should seek to play a role in regulating international affairs so that nations interact in compliance with the rules and standards endorsed by Washington. The goal of American foreign policy, as argued by Haass (ibid.) should be aimed to develop international institutions that could share the burdens (public goods) of regulating international relations.

American hegemony after the Cold War is constantly under readjustment and reconfiguration. The overlapping sovereignties and growing networks together with the increasing decentralization and deterritorialization of politics, economics, culture, means of production, finance and communication are compelling the United States to establish itself a new form of hegemony termed by Agnew and Corbridge as *transnational liberalism* (1995:164-207). The ideological base of the new hegemony is *the market* (marketization and market-access) which is "embedded in the reproduced by a power constituency of liberal states, international institutions, and what might be called the 'circuits of capital' themselves" (ibid.:164). The power base of the new US hegemony has transformed from hegemonic order/stability (*balance of*

*power* under nation-state structure in a bipolar world) to hegemonic liberalism and market economies (*imbalance of power* under transnational structure in a multipolar global economy).

Therefore, the conceptualization of the present-day American hegemony is quite different from that of the Cold War which was defined primarily in terms of realism. A number of scholars, Strange, Gill and Nye, etc, argue from different perspectives against the deterministic misjudged notion of “American decline” calling for a dialectical understanding of American power (Cox 2001: 324-327). The American hegemony in the era of globalization lies in its structural shaping power to impose an order among nation-states, but also structure practices in the global economic system that are meant to be universal and superior to other types of economic system, such as the East Asian “crony capitalism.” Moreover, such hegemony is based less on the state but more on “a complex of international social relationships which connect the social classes of the different countries” (Cox, 1993:62), such as the transnational capitalist class (Sklair, 1998, 2001)<sup>6</sup>. The best way to sustain such hegemony without having to supply the same kind of public goods as it did during the Cold War is to set up new types of international institutions with laws and rules that not only preserve the existing hierarchy but also generate American interests in new ways while setting up constraints for others.

In a summary, the victory of the Cold War loosened the knot that tied the foundations of the consensual structure of American global hegemony, which opened door once again for inter-capitalist rivalries not only between traditional enemies but also between former allies. The Bretton Wood System came to an end in the 1970s and the United Nations is failing. Whether this situation symbolizes the return to the unstable equilibrium between states and capitals or whether the US war against Iraq since 2003 resembles the previous inter-imperialist wars of the 20<sup>th</sup> century is subject to debate. However, it is seemingly more close to Lenin’s analyses that stability and alliances between imperialist powers that “Peaceful alliances prepare the ground for wars, and in their turn grow out of wars; the one conditions the other, producing alternating forms of peaceful and non-peaceful struggle on one and the same basis of imperialist connections and relations within world economic and world politics” (Lenin: 295).

### **Global capitalism and the restructuring of social forces**

#### *Globalization and transformations*

When speaking about transformation under globalization, it denotes a conceptual difference between internationalization and transnationalization. Internationalization refers to “the extension of trade and financial flows across national borders”, whereas transnationalization

implies “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). Globalization has brought about some fundamental changes in the capitalist world system in which the system’s constitutive rules and regulative capacities<sup>7</sup> are in the process of restructuring and generating new social forces. This process can be analyzed from a number of perspectives:

### The labour relations

Historically, capitalism has, from its genesis, developed unevenly in different parts of the world creating an imperialist system of rich and poor capital nations. If capital is bound geographically within a nation-state, it is possible that organized labours are able to force capital to provide them with active consent, not passive submission – a process of passive revolution in which “it 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 addition, the vicious exploitation of working classes in developing countries went hand-in-hand with the surplus value which was pumped out of these peripheral nations and which was associated with the well-being of workers in rich nations. Capitalism at the age of transnationalization has successfully spitted global working classes 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)

The internationalization of production and finance and the use or threatened use of capital mobility to locate parts or phases of production processes in countries and regions where low wages and politically-repressed working classes provide the capacity and lever of exploitation. The structural power of financial and productive capital has weakened the bargaining power of trade unions both in developed and developing countries as the result of the changing structure of production from a traditional nation-based industrial production to a production which is being restructured on a world scale.

Given the internationalization of capital and the global integration of national productive structure, the mobility of capital and the global fragmentation and decentralization of accumulation processes and strategies, class formation is also less tied to territory and to the jurisdiction of nation-states in which the traditional class structure is largely based on the dynamic interaction between national capital, workers and the state. Globalization is

reorganizing world class structures in which “the proletariat worldwide is also in the process of transnational class formation” (Robinson and Harris, 2000:18-19).

However, a transnational working class is only a class-in-itself, not yet a class-for-itself<sup>8</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 (*The Guardian*, October 21, 2003). A true global working class-for-itself can be realized when working classes especially in the North are able to reach a war of position<sup>9</sup>, through which workers can work together to create a counter-hegemony alliance in hopes of challenging the continued dominance of the capital. Hence, the formation of resistance to global capitalism under a collective and shared identity still has a long way to go.

### Capital's “historical bloc”

Historical blocs, in Sklair's view (, are social forces 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. In the struggle for hegemony, historical blocs form and dissolve and reform. Big business mobilized a sustainable development historical bloc against what it saw as a threatening counter-culture organized around the powerful idea of the singular ecological crisis, the deep green or ecological movement.

In the view of Kausky (1970), the rival competition of capitalist interests may, at least for a time, be able to coalesce into a relatively unified hegemonic bloc. Seen from today's perspective, the situation is perhaps more true than his time. Breaking down of the physical barriers for the development of national capital onto international levels, transnational companies are not only global in what they produce and sell in many parts of the world, but also are conglomerates united under similar interests. Former national companies have been merging with those of other countries and they maintain a hierarchy dependent relation with the larger ones. Transnational capitalist class (TCC) is not only “western” but “global” (Leslie Sklair, 1999).

The TCC is becoming the global ruling class that controls global decision-making and shaping the development agenda, a transnational capitalist *historical bloc* is in shape. Such a bloc encompasses North-South dichotomy and consists of various economic and political forces including national elites (parties, media, technocrats 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 chained together to form a global market while national capital have fused into transnational capital. This bloc is withdrawing all the concessions previously made out of fear of labour pressure, and socialist and other anti-system movements. Its hegemony is so coercive that whether or not its position and ideology is agreed upon by the society as a whole becomes less important. What deserves particular attention today is the emergence of a new historical bloc by financial capitalists.

With a value at \$360 trillion (larger than the value of the entire global economy), the world seems to be entering an age of financial capitalism embedded with complexities and instabilities (Gilpin, 2001:6-7). The basic principles of finance, and related fields of insurance, property market, stock market and public finance are not only making national economies more integrated into the world capitalist economy but also fundamentally changing the way economic activities are organized and operated. Contrary to conventional economic theory, financial capitals, unlike industrial capitals, are not driven toward a relatively stable price based on a rational assessment over a number of criteria, such as management, products, marketing, or record of profitability. Rather, they are high speculative in nature and are constantly driven away from the economic logic of equilibrium towards the momentum of self-fulfilling expectations - a rising stock price attracts buyers who would further raise the price to the point of bubble price. The East Asian financial crisis, the Mexican financial crisis and the Russian financial crisis were all indications of the grave consequence created by the financial capital that is beyond anyone's capacity to control. Can the idea of Tobin tax solve the problem? If yes, who will be the tax collector?

#### State-capital-civil society relations

Within nation-state capitalism, the hegemony of capital lies in a recurrent process of passive revolution in which the state neutralizes emerging contradictions through enforcing a mechanism of redistribution, reorganization and arbitration. The state plays a key role in mediating relations between classes and groups, and productive forces and production relations. Under severe circumstances political and economic elites as well as organic intellectuals begin to initiate interventions on two front: 1) taking over the management and enforcing negotiations and controlling society on behalf of the ruling group; 2) intervening in economy in order to regenerate the productive forces and relations of productions.

After the Second World War, the welfare states in Western Europe with full employment policies tipped the balance of political power towards labour union. Following the collapse of the Bretton Woods system in the early 1970s, capital regained control over policy-makings in many

western nations. Since then, economic globalization, especially financial and capital market liberation, has systematically increased the process of the transnationalization of state autonomy and favoured global capital over welfare policies. Consequently, globalization and liberalization not only intensifies the global process of “disembedded economy” (Polanyi, 1944), but also further economizes and assimilates non-capitalist elements and non-market societies.

What is witnessed today is the fact that transnational companies, financial institutions and powerful individual investors have the capacity to move production to countries or regions where state policies may be more preferential to capital and production. They are in a position to influence state foreign politics and development policies. Today, nation-states are being hollowed out by the promotion of neoliberal policies leading to a “race to the bottom”. In order to accommodate the global economy they are increasingly becoming, as what Robert Cox calls, the “transmission belts” of global economic forces penetrating local borders and markets. They are seen as the organ of capital, destined to create favourable conditions for its maximal expansion. Some scholars disagree on the above mentioned relationship between the state and globalization. They believe 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 (Hobson and Ramesh, 2002: 8). However,

It is a popular argument 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 nation-state as a political form spread from Europe over the rest of the world, but the on-going weakening of Western nation-states manifests that capital with new forms of technological modernization does not need the nation-state anymore (Guehenno in Grunenberg, 1998: 414). Other scholars, on the contrary, takes the opposite position in claiming that nation-state remains the dominant actor in both domestic and international economic affairs (Gilpin, 2001). Scholars in-between these oppositions recognize the interplays of continuity and change regarding the relationship between globalization and the state with an keen awareness on the notable changes in the character of the state in terms of its capacities, its constituencies, its policy-making processes, its policy contents and so on (Scholte, 1997)

However, there is one general consensus, that is nation-states do not have a free hand in decision-making but rather are dependent on decisions made by transnational actors, they are no longer the organizing principle of capitalism and the mediator between contending forces. If traditional boundaries of nation-states are becoming blurred, where is the common space of

manoeuvre and where are the boundaries of civil society on which capitalism's hegemony replies? How can civil society be constructed in an international arena where the "common ground", such as justice, equality, rights and social security affected by globalization can be identified? Will the state still be capable of abiding by the social contract that binds the state and citizens together in a collective society? The global market is transforming civil societies into becoming a "social cushion", i.e. grass-root organizations across the world with an anti-statist ideology to step in among conflictory social forces and to function as mediators between local organizations, the free-market state, neoliberal foreign donors and transnational companies (Petras, 1997:10)

The notion of social contract as citizen-state interactions has undergone tremendous transformations, namely that 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 selective, and political participation is becoming less inclusive but more exclusive. This implies the fundamental transformation of the social contract which emphasizes social and political rights. The concept of citizenship as a means of political rights and participation is changed to one of economic empowerment defined in terms of consumers and customer. Under the market-dominated social contract, the market is ideologically perceived not only as a neutral place (institution) for allocation of goods, resources and services, but also as the most efficient mechanism to regulate society and human relations.

#### Globalization and clashes of civilization

It is understood that the goal of passive revolution is to maintain the hegemony of capital. But, the question is: where are the counter-capital forces which need passive revolution to defuse? Is capital more threatened by the non-existence of contending political powers than by their existence? Who and where are the opponents in a world of capital dominance?

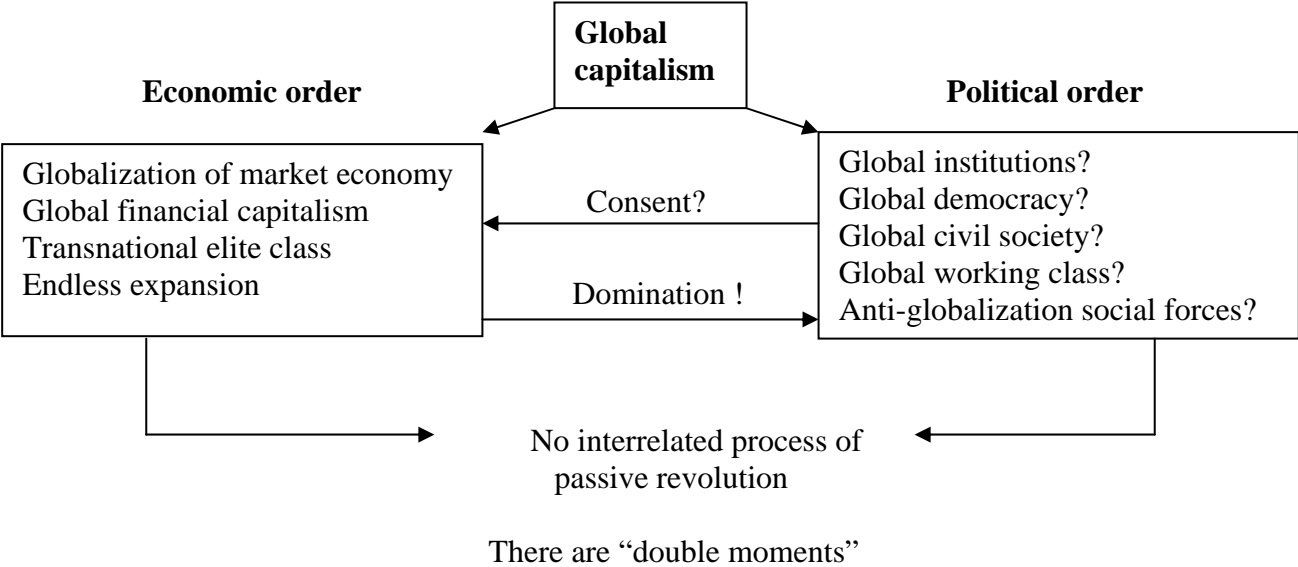
It is much unexpected that in this so-called post-Cold War age when the East-West ideological conflict became the "end of history", the new surge of religions and ethnicity often in their violent forms and with their diverse names and labels become a new challenge to the international order. Many in the West tend to assume, based on their own historical evolution that developments following social, cultural, and economic modernization would ultimately lead to the marginalization of religion. For Huntington, the hegemonic dominance of capital defined by the end of history thesis would pave the way for religious and cultural counter-hegemonic forces. Seen in this perspective, global boundaries will longer be defined by states but by cultural

identities, and the clash of cultural and religious ideologies will replace the conflict between political systems (Huntington, 1993 and 1996).

However, it posits here that global clashes today between the West and Islam, that is seen as the source of global terrorism, should not be one-sidedly conceptualized and theorized in terms of cultural essentialism. Rather, Islamism is seen as a counter-hegemonic political movement representing an outlet for action and a force for change. West-Islam conflicts can be paraphrased as wars between two rising historical blocks: market capitalism and Islamic revivalism (Li, 2002). Modernization and market fundamentalism cause severe disruption in the traditional sources of identity, authority and community, which are the source of religious resurgence as well as the rise of Islam revivalism.

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 role in mediating the more fundamental clashes of deep-seated values and norms between market essentialism and religious fundamentalism? Who are the civil societies or other mechanisms, in this context, as actors in mediating between global capitalist forces and cultural/religious anti-system movements (Islamic terrorism)?

Figure 3: The emerging crises of global capitalism



Therefore, it is obvious that the mechanisms of passive revolution existing in nation-state capitalism, in addition to the fact they are losing a great deal of significance after decades of transformations, cannot be applied to understanding capitalism at the global level, especially

when these mechanisms are urgently needed to deal with a number of vital globalization backlashes<sup>10</sup>. Global capitalism today, unlike nation-state capitalism, does not possess the same kind of hegemonic resilience in which the economic and political orders are responding 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 "juridical power" (state apparatus) or on "consent-endowment" (civil society).

### **Conclusion: from passive revolution to double movement**

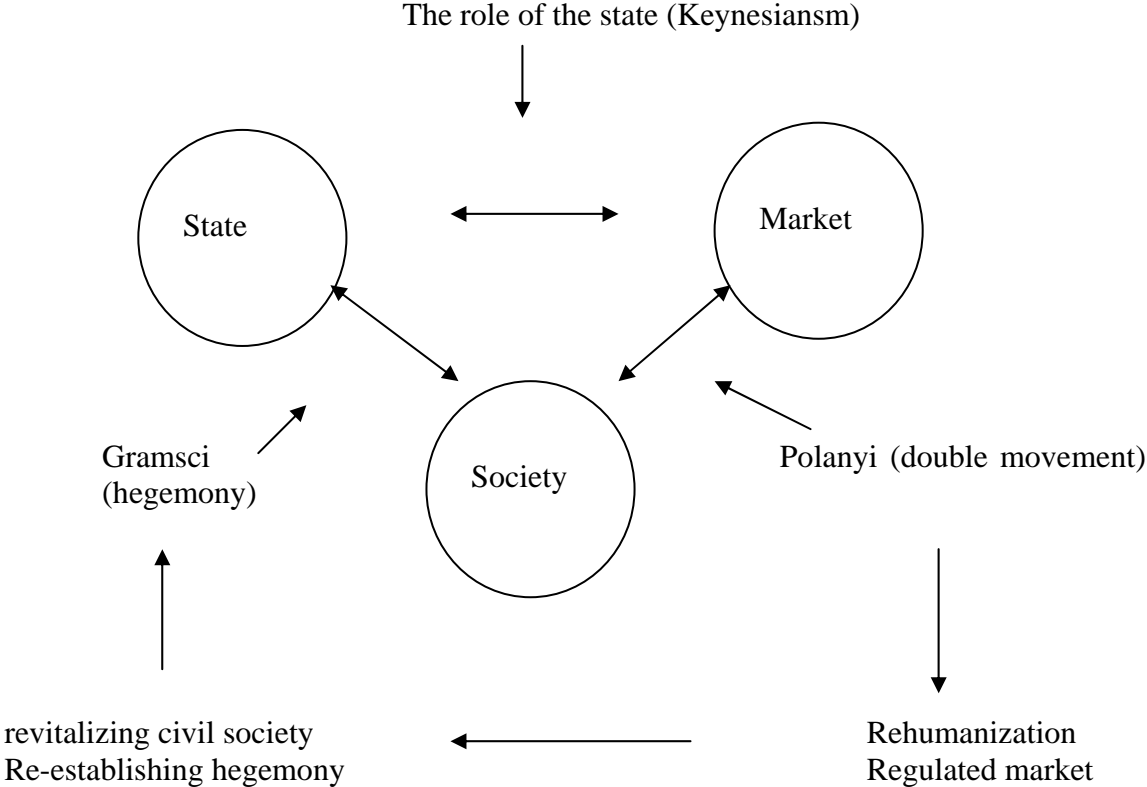
Capitalism historically originated from Europe and later developed into becoming a novel kind of social system for the whole a world. Nevertheless, it has borders, structures, actors and laws, and it consists of conflicting forces that dialectically hold it together as well as tear it apart. It has the features of an organism in motion with resilient structural adjustment and adaptation, which on the whole has been capable of continuing the processes of constituting and reconstituting conditions for production reproduction and retaining legitimacy as a viable and sustainable socio-economic system.. In the past centuries, capitalism has survived from recurrent crises, assisted with the trench system of civil society and the coercive apparatus of the state that have helped to provide the bourgeoisie with an unprecedented level of expansion. However, when the world enters the stage of transnational and financial capitalism, is the capitalist world system still able to discern its historical limits as a *modus operandi* that permits and reinforces the endless accumulation of capital without generating counter-hegemonic blocs and movements?

#### *The double movement*

Capitalism's unique mode of production differentiates itself from all preceding ways of organizing material life and social reproduction. It is distinctive in the way that economic relations (actors and institutions) are torn apart from non-economic relations (social relations). In Polanyi's conception, it is a distinction between a society with market and a *market society* (1957). A market society implies that society itself has become an "adjunct" of the market, and a market economy can exist only in a market society in which social relations are embedded in the economy rather than an economy embedded in social relations (Wood, 1999). Such an "innovation which gave rise to a specific civilization" (Polanyi, 1957: 3) is becoming global to the extent that every economic actor and every aspect of social relations is operating according to the logic of this innovation embedded with accumulation, commodification, profit-maximization, competition, etc.

While the Gramscian political thoughts and the neo-Gramscian theory help to lead us to looking into the dynamic social relations and the dialectical roles of different social forces on which capitalism’s resilience, sustainability and hegemony is built, Polanyi draws our attention to “the double movement” (1944) – on the one hand, the market (fictitious commodities) continuously extends its sphere to marketize noneconomic aspects of human life in the way that human relations are constantly converted into impersonal ones or into acquiring a thing-like character, and the result is the disintegration of social bond, an essential constituent of humanity; but on the other hand, humans are not guided solely by economic motives, they will, consciously or unconsciously, resist the market 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. Likewise, a similar double movements are embedded in the state-civil society relations as well. On the one hand, the neoliberal state tends to develop coercive hegemony for a socio-political project, and on the other hand, civil society attempts to force the state hegemony to be based on consensus and consent as well as to be more inclusive.

Figure 4. A dialectical process of passive revolution – double movement – passive revolution



Passive revolution is a counter-revolutionary, restorationist historical movement aiming at avoiding or reversing revolutionary changes. The stability and resilience of social power in modern capitalism 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, currently we are at a historical moment in which the “disembedded economy” at both the national and international levels are substantially raising the coercive superiority of the capital. Meanwhile, the super-dominance of capital is reducing its consensual capacity and is creating a “double movement” in which worldwide anti-capitalism and anti-globalization movements are forming forces in delegitimizing the on-going coercion of market capitalism. There are some signs of global initiatives, such as Kofi Annan’s “The Global compact”<sup>11</sup>, which aimed at giving a human face to the global market. However, given by the inherent logic and law of capitalism, it is highly questionable whether capitalism’s categorical imperative based on maximization, accumulation and expansion can eventually be moralized (Li and Hersh, 2002).

Our conclusion is that the withdrawal of the United States as capitalism’s only generator for global hegemony and the rise of global capitalism’s coercive nature have brought about transformative alterations in state-market-society relations all over the world and have at the same time produced the marginalization of consent-generating counter-hegemonic elements, i.e. a set of institutions, practices, and social relations that constantly exists as alternatives or balances of power. Consequently, without consent-building necessity, global capitalism is in a self-denying process towards disorder, dissolution and disintegration, unless the “double movement” were successful in generating a powerful social force to push capitalism to negotiate a new round of passive revolution process. In other words, it is still too early to conclude whether the global counter-hegemonic forces are able to generate the possibilities of embedding global and capitals and markets in shared social values and responsibilities.

## Note

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<sup>1</sup> The application of the neo-Gramscian perspective in international relations – “neo-Gramscian’ theory” - owes most to Robert Cox’s introduction in the late 1970s and further developed in the 1980s and 1990s. By drawing from the conceptual framework of Gramsci Cox’s theoretical emphasis is placed on the construction and maintenance of hegemony, which is initially established by social forces occupying a leading role within a state, but is then projected outwards on a world scale. One of its key approaches is to study the inter-relationship between social forces (not classes), state forms and world orders so as to understand international relations through identifying particular social forces that become the bases of power within and across states and within a specific world order. (see Cox, 1981, 1983, 1987; Gill, 1993;

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Sassoon, 1982, 2000)

<sup>2</sup> The world system theory regards socialism as part of anti-system movements within the capitalist world system.

<sup>3</sup> From the perspective of the World-system theory, communist or socialist movements and nationalist movements were regarded as anti-systemic movements (anti-capitalist system).

<sup>4</sup> In disagreement with Lenin's notion of imperialism that the tendency of economic development was towards the formation of a "single world trust", and that capitalism was fraught with such deep conflicts - economic, political and national - that such an ultra imperialist amalgamation was impossible, Kautsky, in an essay *Ultra-imperialism* written in 1914, held out that after the war, rational capitalists would come to see the destructive effects of war and the various capitalist classes could come to a common interest to peacefully divide up the world. He maintained that there was no economic necessity for imperialist war arising from the capitalist system itself (1970).

<sup>5</sup> These conflicts cover a number of regional and global issues: America-EU conflict over European import restrictions on American beef and bananas; EU's anger at US sanctions against European firms that trade with Washington's enemies such as Cuba and Iran; America's negative position on European plans for an autonomous military force; EU and Asia's irritation about Washington's antagonistic approach to North Korea and Cuba, its arrogant attitude towards Russia and China, and its unilateral proposals for a missile defense system; and their frustration over Bush Administration's irresponsibility in refusing to sign and implement the global environmental agreement. The most recent antagonism between the US-led "new Europe" and Germany- and France-led "old Europe" over the Iraqi War is regarded as a serious split not only within the traditional transatlantic alliance but also within the EU.

<sup>6</sup> The transitional capitalist class is composed of four main interlocking groups: 1. TNC executives and their local affiliates, 2. globalizing bureaucrats, 3. globalizing political and professionals, and 4. consumerist elites.

<sup>7</sup> "Constitutive" rules refers to the institutional foundation of social life such as organized political, economic and social activities, whereas "regulative" capacities refers to the power to constraint behaviour or to have causal effects on constitutive rules. Here, the two notions are derived from Rawls (1998).

<sup>8</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 that everyone works for living, but not everyone struggles against injustices embedded in work.

<sup>9</sup> It is a concept used by Gramsci referring to the kind of broad unification of various social forces and groups under the general consent of the ideology of the dominant class.

<sup>10</sup> In a lecture given by John Gerard Ruggie (6 June 2002) to London School of Economics, He 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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<sup>11</sup> At the World Economic Forum in Davos in 1999, Kofi Annan proposed that global business leaders and the United Nations initiate a Global Compact of shared values and principles in encouraging good corporate practices as a response to the challenges brought about by globalization.

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