

THE STATE WE ARE IN (AND AGAINST)

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INTRODUCTION

If you examine the growing number of volumes of authored or edited texts dealing in general with globalisation, labour and labour organisation are at best marginal or at worst entirely absent. To take two examples, the Beynon & Dunkerley reader (2000) and the equally voluminous collection edited by Held et al (2000). In neither does labour or labour organisation merit a section to itself. Indeed, where work and workers do make an appearance it is usually only as the object of apocalyptic visions in snippets taken, for example, from Castells 'Networked Society' or Rifkins 'End of Work'.

There are, of course, numerous texts that deal specifically with labour, unions and globalisation. . Indeed there are two books in this series that deal with aspects of this debate (Waddington 1999, Edwards & Elger 1999), providing in depth analysis of complementary areas of interest. Waddington is concerned with the response of labour to evolving regulatory structures and new forms of production, whereas Edwards and Elger examine the implications of globalisation for labours experience of and activity in relation to state and supra-state forms of regulation. One fundamental aspect of all forms of globalisation theorising concerns the changes that are taking place in the form and function of the state itself. However, little or no connection has been made between literatures on labour and state restructuring and the globalisation debate. One aim of this chapter is to examine how such changes have been analysed (and prescribed) and begin an exploration of some of the (unexpected) implications of these changes.

In the first part of the chapter we examine analyses of state restructuring, outlining an apparent paradox. Although apparently starting from different ends of the political spectrum, the analysis of (if not prescription for) the new form and function of the state emerging from the New Public Management on the one hand, and the New Institutional school on the other, appear to be converging. There is, in fact, a growing consensus around the necessity of a 'hollowed out' or 'decentralised' state. Further, the new paradigm emphasises the emergence of the local or regional over the national alongside a renewed or rediscovered commitment to some form of (albeit limited) pluralism. A slightly ameliorated version of Margaret Thatchers TINA – There Is No Alternative – has inspired a quite remarkable level of support.

In the second section of the paper we argue that both schools of thought are based on a thoroughly inadequate analysis of the role of the state and put forward an alternative Marxist approach, developing and extending Peter Burnham's 'depoliticisation' hypothesis. We explore the implications of state restructuring for labour and other oppositional groups, in the aftermath of Seattle, Prague, Melbourne, Genoa, as well as the September 11th 2001 destruction of the World Trade Centre. Our argument in a nutshell is that despite the apparent convergence of mainstream approaches to state restructuring and attempts to 'depoliticise' this process, the form and function of the state is becoming increasingly political and consequently making adherence to the pluralist myth of the state as neutral arbitrator between competing interest groups increasingly difficult to believe.

NEW PUBLIC MANAGEMENT: FROM THE KEYNESIAN TO THE WASHINGTON CONSENSUS

Much has been written about the emergence and development of the New Public Management in particular national contexts and we do not wish to plough that furrow again. Here we are more concerned with the process by which the original neo-liberal TINA appeared to operate in a global context, a process that we might describe as 'capitalist internationalism'. The new orthodoxy spread through the active intervention of important actors, a process that Thrift (1998) has described as soft capitalism. In this case, the idea that the public sector must ape the private (apparently successful?) sector was driven hard by major institutions such as the IMF, World Bank and the OECD.

The Keynesian consensus had over a number of years institutionalised practices and structures which were anathema for the new market revolutionaries of the last quarter of the 20th century. The crisis of the welfare state was based, it was stated, on ‘excessive’ public spending, too rigid public sector structures, and the arrival of global markets. More broadly, the developmental state or state monopoly capitalism, a model which in a number of variants had dominated economic development and state formation up to the end of the short ‘long boom’ had been undermined by the internationalisation that successful autarchic development itself had promoted, and a falling rate of profit evident from the end of the 1960s (Upchurch 1999, Bramble & Kuhn 1999). This was the context that generally led to the collapse of the Keynesian consensus but more particularly increasingly constrained the room for manoeuvre that social democratic parties in particular found available to them.

However, there was not a simple and uniform leap to the new orthodoxy. If we take the OECDs influential public management programme (PUMA) as an example, for Rune Premfors, the OECD approach to state restructuring is best described as rational choice institutionalist (more generally the new orthodoxy draws on public choice theory and principal-agent theory). Premfors sees the OECD approach as going through a three-phase developmental sequence:

1. 1970s: Crisis of the welfare state
2. 1980s: A transitional state
3. 1990s: Arrival of the management state (Premfors 1998: 142)

In response, a series of piecemeal and partial measures were introduced in the 1980s focussed on restructuring the state and opening it up to the private sector under the rough title of ‘let managers manage’. This is just one aspect of the new managerialist discourse that was becoming all pervasive (Thrift 1998). But, it was argued, this did not go far enough. In order to fully transform rigid and entrenched state structures it would be necessary to make managers manage, through centrally driven restructuring of incentives for managers. The normative ideal was the market, and where outright privatisation was not possible then the creation of quasi-markets was the order of the day (Premfors 1998: 143). For Premfors, the OECD/PUMA story had heroes or leaders, in particular New Zealand and, to a lesser extent, the UK, and implied a necessary convergence of state formations, through the ubiquitousness of the purchaser:provider split. It is important here to note that in some headline cases, changes were being driven by supposedly centre-left political parties (Labor in New Zealand) as well as straightforwardly Thatcherite/Reaganite governments in the UK and US. Peck (2001: 445) argues that though this policy medicine might be administered in a number of different ways – from the shock treatment of Structural Adjustment programmes to the sweetened pills of Third Way politics a la Blair, Clinton and Schroeder – never mind what is says on the bottle, the treatment remains pretty much the same. Doses vary but the prescription includes purging the system of obstacles to the operation of free markets; restraining public expenditure and any form of collective initiative; celebrating the virtues of individualism, competitiveness and self sufficiency; abolish or weaken social transfer programmes while actively fostering the ‘inclusion’ of the poor and marginalised into the labour market on the markets terms (see also Baumann 1998). In this regard the New Zealand experience was not only seminal but also iconic. (see Kelsey 1999 p8-19, Walsh this volume)

For O Tuathail et al (1998: 6), this meant firstly that the state must first be ‘seized’ by NPM proponents so that it might be used to liberate markets; and secondly that far from being a period of deregulation, the ensuing revolution would be highly regulatory but not in the sense that Institutionalists would hope or desire. The regulatory and tax burden would be lifted off business and placed on individuals. But did particular countries jump or were they pushed? States do not operate in a vacuum, but are, as Held (quoted in O’Tuathail op cit) would have it, ‘trapped within webs of global interconnectedness permeated by quasi supra-national, intergovernmental and transnational forces, and unable to determine its own fate.’ This approach, which sees states simply as conduits for the new rules determined by organisations such as the OECD, WTO, IMF, World Bank, EU and NAFTA is, as we shall see, too simple, but does point to a new framework designed to regulate the New World Order. The neo-liberal dream of a free market world is simply that, a dream that exists only in hyper reality, but the reality of restructuring required a new and complex regulatory framework to oversee its implementation. Within this reading, states are expected to localize the prevailing liberal orthodoxy by reinventing government as a flexibly specialised ensemble of institutions that facilitate enable and enhance globalisation. The govern-mentalities of state managers

become globalized as they downsize the state, deregulate its economy and reconceptualize its citizens as human resources and clients in need of management and service... (states were).. also forced to restructure the internal social bargain to attract global flows of capital (ibid p 15). Kelsey (1999: 30) points to the coercive effects of WTO agreements in particular.

However, not all states are equal, and the top end of the hierarchy and in particular the US are active participants in determining the ‘ needs of the world economy’. This is a statement of the obvious but bears repeating insofar as the political response to restructuring at national level, is to a degree dependent, on where in the hierarchy the particular state finds itself. Therefore, defence of indigenous capital for dominant or hegemonic states such as the US may translate into the aggressive attacking of other states to open up markets or the manipulation of quasi-independent agencies to achieve the same ends. On the other hand, for lower tier states these forces translate into attempts to resist the predations of dominant states whilst attracting FDI on the best terms possible whilst simultaneously attempting to block cherry picking of particular companies or the privatisation of strategic sectors such as defence industries. Deregulation and privatisation needs to be seen in the context of large firms and capitals outgrowing their domestic markets and need to make forays into other states to maintain their habit of accumulation and profit. This is what has driven privatisation, although it looks increasingly attractive as states look for ways to resolve problems of government spending. Bramble & Kuhn (1999: 26) outline the shift in Australia from direct state regulation of the assets of the banking sector to open market operations through trading in currencies and government bonds. Further, while governments may no longer construct or even own public infrastructure projects or directly provide public services themselves they now act through regulation, performance criteria or tendering. It should be stressed that the relative strength of different states and the capitals that fall within its boundaries will demand a different set of political arrangements. Although some states voluntarily undertook variants on the dominant model of state restructuring, others had the medicine prescribed whether they liked it or not by a variety of international institutions. The uniting factor being that all of them, to varying degrees, are dominated by the US.

For Amin (1997: 21), although restructuring regimes have been applied with varying degrees of severity and enthusiasm, the overall aim has clear political objectives: to dismantle the countries productive structures in order to reincorporate them into world capitalism as subordinate peripheries; to demoralize working classes; and to reinforce a new comprador bourgeoisie. This, however, is far too simplistic insofar as it ignores the active if contradictory role of labour and unions in the process of restructuring.

An influence on the path and pattern of public sector restructuring has been the OECD through its public management programme (PUMA). For the OECD, up to the late 1990s, there was not only no alternative to public sector reform but also only one effective path down which reform could go. Five elements were outlined:

- A focus on results in terms of quality, efficiency and effectiveness.
- Decentralised structures replacing highly centralised hierarchical structures.
- Flexibility to explore alternatives to direct public provision.
- Greater focus on efficiency in services directly provided by the public sector.
- Strengthening of strategic capacities at the centre, allowing for response to external changes, flexibly and at least cost.

At the heart of the restructuring lies a cost driven ‘purchaser:provider split’, the outcome of which tends to be described in two pieces of jargon as ‘public:private partnership’ leaving the public sector ‘to steer rather than row’. This fitted neatly into the Washington consensus, described as a policy fix comprising:

Fiscal discipline – the effective capping of government budget deficits.

Public expenditure priorities – focussed on supply side investments not on social amelioration or progressive redistribution.

Tax reform – rates held down and incentives sharpened

Financial liberalisation – interest rates and capital flows market determined.

Exchange rates – competitive to promote non traditional exports.

Trade liberalisation – remove import restrictions.

Foreign Direct Investment – barriers to entry removed.

Privatisation – of SOEs

Deregulation – abolish restrictions on competition.

Property Rights – legal system to ensure property rights without excessive costs. (Peck 2001: 448)

The OECD in particular viewed the neo liberal experiment in New Zealand as a star act (Kelsey 1999: 68). Ruth Richardson and Roger Douglas, former Finance Ministers, were employed by the World Bank staff to inspire client governments. The Commonwealth Secretariat and the OECD also sought their help. Richardson's prescription for public sector reform was outlined to a group of 'opinion formers' in Iceland:

1. Make all the changes they were going to do fast, and as many at the same time as possible.
2. Don't discuss them with the labour movement.
3. Don't listen to any protests made by the labour movement and others
4. Make the changes as soon as possible as there are nearly four years to the next election (Kelsey 1999: 101)

By default if nothing else Richardson acknowledges the importance of labour in state function and state restructuring. It is also worth noting that tours of New Zealand organised by the World Bank Learning Leadership Centre for government officials, journalists, politicians, and bank staff from around the world emphasised the NZ model as 'conventional Washington consensus reforms' with four special characteristics; first the changes were comprehensive across all sectors; second, without exception, the best possible policies were implemented; third, the approach was non-ideological, initiated by a left of centre government; and fourth the separation of desired general outcomes from specific outputs with performance contracting of civil servants was novel (Kelsey op cit: 109). 'Non-ideological' may seem, at first sight, to be straining credibility, but reinforces the importance of former social democratic parties in providing an ideological cover for the NPM. The collapse of the Keynesian consensus and the ensuing crisis in social democratic ideology ushered in an embracing of the Washington consensus, usually wrapped in the flimsy rags of the Third Way.

However, after the Asian financial crisis of 1997 sent shock waves racing round the global economy a rethink was thought necessary. The IMF's initial intervention, imposing fiscal austerity, high interest rates, deregulation of the financial sector etc only served to provoke a deepening recession. Cuts in subsidies on food and fuel alongside company bankruptcies and rising unemployment drove sixty per cent of the population of Indonesia, the world's third most populous country, into poverty. Riots ensued. Dave McNally, writing in 1998, ruminated on the emergence of a new 'Asian model' – of working class resistance to capitalist globalization. He identified strikes by young women in garment factories in Bogor and electronics plants in Kuala Lumpur and by aircraft workers in Bandung against IMF directed lay-offs, mass demonstrations by thousands of workers in Surabaya and weeks of strikes by workers at Kia in South Korea, all taken as signs of resistance to downsizing, privatisation and poverty (McNally 1998: 13). Russia defaulted on its IMF repayments in September 1998 and by 1999 financial instability was flowing through Latin America. Writing before the uprising in Indonesia, Moody (1997: 10) pointed to more than twenty mass political strikes around the world between 1994 and 1997. And even before the 1999 problems arose, commentators had noted the incidence of what have become known as IMF riots throughout much of the Third World, from Zimbabwe to Mexico (Rees 1998: 10). In January 1998, the Washington consensus started to break with the World Bank's chief economist, Joseph Stiglitz, attacking the IMF's approach to the Asian crisis. He described the Washington consensus as neither necessary nor sufficient either for macro-stability or longer-term development. Stiglitz was closely followed by Ravi Kanbur head of the World Development Report task force. Former guru of shock therapy transformation Jeffrey Sachs jumped ship and launched a virulent attack on the Bretton Woods institutions and their policies. O'Brien (2000: 9) remarks on the unlikely sources of some of these critical voices, and points to a significant shift from earlier agendas of

preaching rapid liberalisation as the solution to the World's problems. Pressure on the WTO was mounting as well, with GATT's 50th birthday party guarded by riot police with tear gas and water cannon. From Seattle on pressure mounted. By the time the World Economic Forum met in 2002, Kofi Annan, UN Secretary General, was arguing that 'None of us, I suggest, can afford to ignore the conditions of our fellow passengers on this little boat. If they are sick, all of us risk infection. And if they are angry, all of us can easily get hurt'. (Australian Financial Review, 6.2.02)

In 1998, Bill Clinton and WTO Director General Ruggiero had already called for greater dialogue with civil society. Clinton wanted to set up a forum where business, labour, environmental and consumer groups could speak out (Kelsey op cit: 277). The most bizarre example of attempted accommodation came at the 2001 World Economic Forum meeting in Davos where, protected by riot police inside a 30 kilometre exclusion zone, the world's economic and political elite offered to debate via a television link with delegates at the 'alternative Davos' organised by the World Social Forum and held in the Brazilian city of Porto Alegre. (Rees 2001: 8).

Although it cannot be argued that, as yet, there has been a sea change in the approach of the IMF, World Bank etc, particularly given the ascendancy of the Bush Administration, there has been, at least at the level of rhetoric, an attempt to incorporate some of the organizations of civil society (unions, NGOs, community groups) into the prescription. By 1999, the World Bank's 'World Development Report' was advocating decentralisation of government structures because this 'improves the efficiency and responsiveness of the public sector while accommodating potentially explosive political forces' (1999: 107). But decentralisation alone was not enough. The report acknowledged that this could simply transfer power from national to local power elites. Equity would require both the ability and willingness of local government to engage in income redistribution (p 110), and further that local officials and community groups are best placed to identify and reach the poor rather than central authorities. The Report goes on to argue that a multitude of actors outside the public sector – including unions, grassroots organizations, NGOs and neighbourhood groups – hold local governments accountable, and in particular these groups, including unions have played a fundamental role in restoring democracy and building civil society (p 122). In the 2000/01 Report, in promoting a Comprehensive Development Framework, the Bank recommended three areas of action:

Promoting Opportunity – expanding economic opportunity for poor people.

Facilitating Empowerment – making state institutions more accountable and responsible to poor people.

Enhancing Security – reducing poor people's vulnerability (2000: VI)

This was based on the stated assumption that facilitating the empowerment of poor people through making state and social institutions responsive to them is a key to reducing poverty (p3). Achieving access, responsibility and accountability, is, according to the Report, intrinsically political and requires active collaboration among poor people, the middle class and other groups in society (p7). Even the OECD had shifted ground. By 2001, the PUMA Policy Brief was singing a slightly amended tune. Despite still arguing that there were few alternatives to reform (p1), the concern was now with consensus. Arguing that people want more government that does less, the belief now was that Government needed to re-earn the public's trust by providing more choice, democracy and transparency. The necessity was now to work with media, industry and non-profit groups to serve better as mediator, coordinator, policy maker and regulator (p2). Such a common vision, it is suggested, unifies political leaders, senior officials, front line workers and the general public. Government should now consult with all stakeholders and bring together their many varied visions. However, we should not over stress the changes that have been made. The Report stresses the need for government to communicate the need for and successes of reform, arguing that though policy elites and overseas commentators view the New Zealand experiment as a success, because of poor communications, the public do not share the enthusiasm. If only communications had been better the victims would have realised just how lucky they actually were!

However grudging and slight, there had been a growing acceptance of the political necessity to engage with the institutions of civil society albeit in a limited way. Equally, engagement was as much about selling a slightly softer version of the original medicine as it was a Damascene conversion to inclusive democratic structures. At the same time, from a different position in the political spectrum, the emergent New Institutional School was reaching much the same policy prescription if by a somewhat different route.

INSTITUTIONALIST CRITIQUE

The failure of Soviet style Communism and the crisis of Keynesianism had produced an ensuing crisis in the ideology of some varieties of the left and cleared the way for the rise to ideological dominance of the radical right, personified by Margaret Thatcher and Ronald Reagan. However, some sort of salvation appeared to offer itself in the form of Karl Polanyi. At a time when the social and political confrontation and destruction produced by a lurch to neo-liberal policy was causing a parallel chaos in social democratic ideology, commentators looked back to the work of a man who reacted to the last great free market experiment. Following Polanyi, who in the 1940s wrote a savage indictment of the disastrous effects of free market policies in inter war Europe, the New Institutionalists argue that unfettered markets create only social and political trouble, therefore market economies need to be appropriately governed if they are to successfully meet the needs of a wide range of groups in society. Markets must be embedded in a variety of non-market social institutions and regulating mechanisms if they are to produce efficient outcomes. The rediscovery of Karl Polanyi and in particular his impressive work "The Great Transformation" is no accident. It appears to provide a way back into debate on economic and social policy for those opposed to the dominant free market ethos of the 1980s and 90s. Polanyi's work is a devastating critique of the political and social disaster that free markets (insofar as they exist) bring with them. For Polanyi, the reduction of all factors of production (labour, land and money) to simple commodity status to be traded on free markets was both undesirable and unstable. His argument was that lurches in the direction of deregulation inevitably led to instability and a return to regulation. For writers around the world, Polanyi provides a framework for arguing for reregulation in the C21st in the face of an orgy of privatisation and deregulation. However, it is a framework which allows distance to be put between new institutionalist prescriptions and more radical agendas. It constitutes an accommodation, or surrender, to the perceived primacy of markets.

If NPM proponents had initially hoped for a convergence of social systems towards a minimalist state structure, convergence such as it was now encompassed a slightly more inclusive model. However, Institutionalists denied that convergence was even on the agenda. A common criticism is that PUMA/NPM generalises from extreme cases. Reflecting the rise to predominance of institutionalist forms of analysis in both economics and sociology, a number of alternatives to the inevitability of convergence have emerged. Based on approaches that emphasise the importance of history, path dependency and the important mediating effects of socio-economic institutions, these works stress difference in outcome. Waddington (1999: 17) argues that the emergence of new institutionalist schools of thought within economics and sociology have been important in rejecting the convergence hypothesis:

'Whereas the convergence thesis assign to technology and markets the position of determinants, new institutionalists recognize the influence of several other factors. Principal among these are the varied roles of the state in economic management, which results in different 'state traditions'; the role of informal communities and networks in influencing patterns of regulation; and the activities of formal associations, including trade unions, in concluding negotiated settlements between groups with opposing interests....For the new institutionalists it is the various interactions between these factors and those identified within the convergence thesis that explain the emergence and resilience of different regulatory regimes.'

Waddington points to the distinction between the Rhine and Neo-American models contrasting Atlantic short termism with highly sophisticated levels of interest mediation between states, employers and unions emphasising long term calculations over investment jobs and economic growth. However, critics from the left have pointed to inherent problems with the institutionalists favoured models of Germany (Mahnkopf 1999) or Sweden (Coates 1999), although Lubanski & Andersen, (this volume) argue that the Scandinavian model is both more equitable and resilient than Coates would allow. Hay & Watson (1999: 18) on the other hand argue that the marginalisation of the European social model and the almost total dilution of the notion of social partnership, suggest that EU harmonisation and regulation may have a further corrosive effect on national social models, driving a residualisation process by which social policy is increasingly subordinated to the perceived imperatives of competitiveness and of labour market flexibility in particular.

However, even in the institutionalist schools labour enters the equation only as an element in corporatist structures or as a victim in the Anglo-Saxon model, and the state itself remains inadequately theorised. Waddington confronts some of these problems and points to the role some analysts argue that labour played

in triggering the crisis of the regulatory regime that was supposed to have characterized the long post war boom (Waddington 1999: 1). However, even the institutionalist critics of NPM convergence appear to be arguing for a picture of fairly uniform pressures to restructure state formations and functions in a particular direction mediated and therefore differentiated in pace and pattern of restructuring only by national social formations. Furthermore, if we now turn to Institutional approaches to the globalisation debate we can see how this approach comes close to the post Seattle NPM approach for state restructuring.

GLOBALISATION AND ITS DISCONTENTS

For Hirst & Thompson (1996). globalisation is a myth suitable for a world without illusions, but it is one that robs workers in particular of any hope, leaving only defensive strategies in the enclaves where the labour movement still exists. Against this, and the important point as far as this chapter is concerned, Hirst and Thompson argue that Keynesianism is not dead. They suggest that the European Union itself along with state action at the national and sub national level could initiate a form of Euro Keynesianism that could revive the social democratic agenda.

The conclusion that Hirst and Thompson draw is that because international businesses remain embedded in their home territories, they remain Multinational rather than Transnational Corporations. This implies that it is not beyond the powers of national governments to regulate these companies. Hirst and Thompson draw on Polanyi, as does Jane Kelsey in her brilliant analysis of the New Zealand experiment (Kelsey 1999). Crucially, for Kelsey and others, there are alternatives although a degree of political will be required to generalise this. Further, the state is not dead, and though its role may have changed it still has a crucial part to play.

Despite arguing the continuing importance of the nation state, Hirst and Thompson argue that there can be no return to old modes of state intervention. Classical national economic management now has limited scope. New agencies of governance are now likely to be international and herein lies the potential importance of the EU. The authors argue that the Triad of the EU, Japan and NAFTA dominate the world economy. Therefore, if it so chose, the Triad could effectively control the direction of the world economy if they acted in concert. The strong governance of the world economy towards ambitious goals (e.g. promoting employment) requires highly co-ordinated policies on the part of Triad members. If they did embrace such ambitious goals then they could impose a new tripartite hegemony on world financial markets, international regulatory bodies and other nation states comparable to that exercised by the USA between 1945 and 1973. Linda Weiss has a stronger version of this thesis, arguing for the emergence of what she calls the 'catalytic state'. This involves building or strengthening power alliances, firstly upwards via inter-state coalitions at the regional and international level and /or downwards via state-business alliances in the domestic market (Weiss 1998: 209). Far from relinquishing roles, states are increasingly using collaborative power arrangements to create more real control over their economies, through playing a dominant role in coalitions of states, transnational institutions and private-sector groups, and relying less on their own resources. Elsewhere it has been argued that this represents little more than social democratic utopian dreaming (Rainnie 1997), however we have the emergence of a new orthodoxy wherein the role of the state is still important but is undergoing a profound transformation.

In stressing the link between the supra and sub-national governance structures, Hirst and Thompson are following the standard line of argument emanating from the flexible specialisation school. They have little to say about the actual form of the state that this implies, but Bob Jessop (1994) has. For Jessop, the Keynesian Welfare State, appropriate to Fordist times is now being replaced by a Schumpeterian workfare state. Furthermore, and echoing Hirst and Thompson, the state itself is being 'hollowed out', with state capacities, new and old, being reorganised on supra- national, regional, local or trans- local levels. Three forces are driving this shift. Firstly, the growing competitive pressures from NICs in low cost, low-tech production, forcing advanced capitalist economies to move up the technological hierarchy. Secondly, the pace of internationalisation shuts down the possibility of closed, protected and autocratic growth models. Thus Keynesian macroeconomic policies lose their efficacy. Thirdly, the flexibility demanded by post-Fordism encourages the state to concentrate on supply side problems of international competitiveness and attempts to subordinate welfare policy to the demands of flexibility. Whilst arguing that national governments remain

important, Jessop stresses supra and sub national governance structures. He talks of a shift from local government to local governance, with local trade unions, chambers of commerce, education and research centres all entering arrangements to regenerate local economies. Furthermore, elsewhere Jessop talks about globalisation bringing about a relativisation of scale, with new places emerging, new spaces being created and new scales of organization being developed (1999: 25). Crucially the sub national, or regional, level is promoted as a major site for new space activity and state restructuring.

The 'new regionalism', drawing its intellectual backing from the new institutionalism, points to localities as the emerging focus of economic and political activity. Storper (1998) for example has suggested that dense local tissues of corporate and institutional interaction are important in explaining the apparent success of industrial agglomerations. These firm-institution relations have been described as 'untraded dependencies', that is conventions and norms that foster collective and localised learning and promote trust between economic actors. Arising from this work has been an argument that an explanation of regional success lies in the way that local resources and institutions (including trade unions) are mobilised to enhance competitiveness, trust and innovation (for critiques see Lovering 2001, Smith, Rainnie & Dunford 2001). Globalisation has brought with it a new key to regional development, knowledge intensive innovation and flexibility. The new regionalism stresses the importance of the creation of socially inclusive entrepreneurship and employment to nurture skills, expertise and capabilities rather than simply focussing on the number of jobs created. Firms need to draw on the active participation of their workers, suppliers and customers as well as building long-term relationships with providers of public goods such as training and education. This forms the basis of what Amin & Thrift (1995) have termed associative democracy, defined (inevitably) as a third way between state and market. The third way 'is an attempt to set up networks of intermediate institutions between market and state.....Its emphasis is on forms of governance which integrally involve institutions in civil society, especially those without hegemonic power' (ibid: 50). Competitiveness requires associationalism and as successful regions show, networking is the way to achieve it. Once again a resurrection of the social democratic dream in the face of apparently horrendous odds. Unsurprisingly, Phelps et al (1999) and Lovering (1999) argue that the new regionalism tends to prioritize the interests of transnational corporations and ignores issues of poverty and inequality. Indeed Lovering (2001) argues that arguments about the empowering nature of the new regionalism are at best romantic readings of only one small part of the story. Regionalisation can be a key component of a strategy of state restructuring aimed at realising a broadly neo-liberal model of globalisation (for an argument supporting this view in the Australian context see Rainnie 2001)

The forces driving restructuring are inevitable (or at least appear to be so and so we are told). Keynesian intervention is dead, to be replaced particularly at the local level by Associative Democracy. The localised Third Way attempts to attract FDI, promote small firms and encourage labour market flexibility in partnership agreements in local governance structures. Workers and their unions have a role only in positive participation in such structures. For Murray et al (2000: 248) the result is moves towards some sort of functionalist voluntarism in which unions and managers are somehow condemned to come to some agreement – a veritable co-operative over-determination! In one of the major texts outlining this approach (see Cooke & Morgan 1998) Nissan in North East England is put forward as an exemplar of the new work relations having apparently created an unprecedented degree of worker involvement and commitment, this despite all the evidence to the contrary (Garrahan & Stewart 1992). The focus all the way through is on a pluralistic notion of trust as the cement holding the new systems together both in intra and inter work organization relations.

The analysis does not have much to say about how the state might go about all this and what a restructured state might look like, although Cooke & Morgan (1998: 79) suggest that accomplished regional systems are likely to display strong socio-cultural annealing mechanisms in their collective social order, institutions and organization. They do however quote approvingly from a description of Danish associative democracy which is taken to hold within it the necessary elements:

- A high level of interest representation and organisation of public life across economy politics and society
- A considerable spread of decisional autonomy and authority
- The state as arbitrator and facilitator as well as rule maker and service provider.
- The evolution of a dense network of vertical and horizontal policy channels for decision making

- Iterative dialogue for conflict resolution and policy consensus via policy networks and co-representation (ibid: 81)

What is emerging is a variety of the ‘one best way’ approach which has echoes in the works of the OECD and American gurus who suggest that the detailed restructuring of the state is driven by the same forces outlined above and equally will result (or should result) in a unity of outcome – the New Public Management, but now a more democratic and inclusive variation on the original model. In the new regionalism we have decentralised state institutions, which if not actually privatised then involve much more closely public–private partnerships and a heightened role for the Third or voluntary sector, in other words a more active engagement with the institutions of civil society than old planning models encompassed. Associative democracy on this reading bears startling resemblances to the new socialised form of NPM that has emerged in recent years.

If, however, we move away from notions of convergence, and instead restate a simple Marxist theory of the state, then instead of a focus on trust and associative democracy, we can examine conflict within and against the process and outcome of restructuring of both state form and function.

STATE AND LABOUR

A useful starting point is the recent debate in the Australian literature on industrial relations, globalisation and the state (JIR June 2000, Labour & Industry Dec 2000). For Treuren, (2000: 75), an understanding of the role of the state in shaping employment regulation is central to understanding the rapidly changing political economy of industrial relations in the context of globalisation. The ongoing integration of domestic markets into the international market place is placing unprecedented pressure on domestic institutions of economic, political and social management. Treuren points to the error of conflating ‘state’ and ‘government’ in much industrial relations literature (including one of the authors of this chapter in the list of criminals!). More generally he points to three levels of analysis (micro, meso and macro) and argues that most work has concentrated on the first and second, thus reinforcing the error of conflation. Further he questions whether the disciplinary boundaries of Industrial Relations are too tightly drawn to cope with issue of state and globalisation. For Giles (2000) industrial relations remains fixated with the centrality of national systems approaches, viewing globalisation as an external factor in both analytical and spatial terms, constituting discrete pressures on national systems, and seeing globalisation only in economic or technological terms ignoring the social, political or cultural. Giles argues that an international political economy based approach is preferable, which would have six characteristics:

1. An insistence on the artificiality of the separation between economy and polity;
2. An insistence on the capitalist character of contemporary international political economy;
3. Capitalism changes, not just in the sense of being a dynamic system, but in the sense of a series of waves or phases;
4. Analytical priority is accorded to production and the social relations that spring from production;
5. The international political economy is a structure of deep and persistent inequality fissured by deep diversity;
6. Social conflict is the motor of development.

On this reading then it is incorrect to see the state as increasingly constrained by international competition and capital mobility. Echoing our earlier argument, for Giles, an IPE perspective views states as important authors of these self same constraints, which do not just drop from the sky onto unsuspecting governments. Governments and officials have been deeply implicated in their creation. This is a good step forward, however, Pete Burnham’s starting point is a critique of mainstream political economy (IPE). Burnham argues that IPE fails to conceptualise the role of the state in capitalist reproduction. Further, he argues that:

‘The second sense in which much mainstream international political economy literature eschews the ‘political’ is in respect its conceptualisation of labour. This is most evident in popular treatments of the state-market dichotomy. Although some neoGramscians take seriously Polanyi’s assertion that markets are political creations, in general markets are fetishised as discrete, technical economic arenas and the

overwhelming tendency is to view them in terms of trade, finance and the application of new technology. Not only are labour markets generally ignored, but much more significantly, the category of labour itself is often viewed as external to state/economy restructuring and is equated simply (in a pluralist sense) with trade union bargaining power. In other words, in orthodox (and much heterodox) international political economy there is no systematic conceptualisation of the internal relations between state, labour and capital.' (Burnham 1999: 38)

Burnham starts with a critique of Robert Cox who has argued that we are currently witnessing 'the internationalisation of the state'. This involves the internal and external restructuring of the state rather than its destruction as in the more extreme forms of globalisation analysis. There are three elements to the analysis; firstly states have historically acted as buffers and bulwarks protecting national economies from disruptive external forces in order to sustain domestic welfare and employment. Since 1973 this priority shifted to one of adapting domestic economies to the perceived exigencies of the world economy. Second this shift has affected the structures of national governments with agencies that act as conduits for the world economy becoming pre-eminent within governments. Ministries of industry and labour are subordinated to ministries of finance. Finally, as we have seen, we have a transnational process of consensus formation (OECD, IMF, G7) that transmits guidelines to dominant state agencies which in turn enact national policies. The state's role therefore becomes one of helping to adjust the domestic economy to the requirements of the world economy. The state is a transmission belt from the world to the domestic economy, it is 'internationalised' from the outside in. The importance of dealing with Burnham's critique of Cox is that this form of analysis resembles much new regional analysis with the regional governments' role being now limited to making its soft and hard infrastructure as attractive as possible to mobile international capital.

However, for Burnham, Cox underplays the role of labour. Class relations are seen to be external to the process of restructuring, and labour and the state itself are depicted as powerless, passively responding to the demands of the post Fordist economy. Furthermore, such an approach underplays the extent to which globalisation may be authored by states and be regarded by state agents (both liberal and social-democratic) as one of the most efficient means of restructuring labour-capital relations in a time of economic crisis. The mistake Cox makes is to view the state and the market as opposed forms of social organisation, this comes about through equating the defining characteristic of capitalism with private property rather than the commodification of labour

For Burnham what follows is the necessity of viewing the relationship between states and markets not as external and contingent but as internal and necessary. States are an aspect of social relations of production and their power derives from their ability to reorganise capital-labour relations within and often beyond their boundaries to enhance the accumulation of capital. Recent changes in global political economy are therefore predominantly about reorganising rather than bypassing states and this recomposition is actively undertaken by state managers as part of a broader attempt to restructure and respond to a crisis of labour-capital relations. For Burnham, the form that this restructuring takes is the 'depoliticisation' of the state. Depoliticisation is a government strategy of placing at one remove the political character of decision-making, and is therefore a highly political process (see Chapter X). Depoliticisation, for Burnham is important precisely because of the highly political pressures that capitalist states are now under. This can be seen clearly looking around the world.

As we have seen, state restructuring had produced a growing reaction and opposition during the 1990s. When we wrote the first draft of this chapter in Spring 2000 French civil servants were in dispute over restructuring of the Civil Service and the South African Municipal Workers were in the middle of an extended fight over municipal privatisation. Once again both disputes were with governments supposedly of the centre-left. On one day in May 2000 there were general strikes in Denmark, India and South Africa, all driven by reaction to state restructuring particularly privatisation.

The strength of Burnham's analysis is that it unites the form and function of state restructuring (marketisation of the public sector) with analysis of work and workers. Analysts such as Fairbrother (2000, this volume) have used Burnham's approach to theorise on the possibility of the renewal of workplace based trade union organisation in the public sector as a direct outcome of the restructuring that Burnham outlines – the renewal hypothesis. However, we now want to argue that the implications are deeper and wider than

simply the possibility of resurrecting active workplace trade union organization, though this is important enough.

We would agree that the capitalist employment relation is inherently exploitative and based on a structural antagonism between capital and labour. However this antagonism is mediated through a series of institutions that mix coercion with cooperation, and further, this mediation has to be constantly reworked and reformed. A major institution involved in this process is the state, but it is not simply involved. It is a capitalist state and as such is as much a structure of competition reflecting the competing and often contradictory demands of differing fragments of capital as it is a structure of class domination. The state is therefore both an apparatus of class domination and an apparatus of competition between segments of the bourgeoisie. This latter element is packed full of complexities, particularly in the current situation. Calls on governments to defend the jobs of workers made redundant by mobile international capital or to resist takeover of domestic capital by 'forcing' companies, or to resist offshoring of local companies HQs (all current issues in Australia) are challenged by other elements who argue that moves in such a direction would damage the countries standing in the eyes of the international financial community and thus make it less attractive as a site. However, in the current climate, as Dick Bryan has pointed out:

'In a world of international mobility (and pricing) of capital and commodities, national costs come down predominantly to labour as the economic factor which, by its relative immobility internationally, is the one most imbued with the characteristics of 'nationality'. Labour costs become the key to national success. They also become the zone of sacrifice in order to achieve that success.' (Bryan 2000: 5)

The point is that even when contradictions or complexities arise for the state at the level of the capital:capital relationship, relief is sought at the site of the capital:labour relationship, either directly through job loss or wage cuts, or indirectly through attacks on the social wage and welfare state.

However, hostility between capitals not only manifests itself within states, depending on the dominant fractions of capital, but also between states. The nation states ability to compete depends on the relative size, composition and quality of the sections of capital that fall within its orbit. A number of conclusions flow from this, the most important being, as we have seen, that the limits and scope of state action will depend on its relative strength and therefore place in the hierarchy of states.

The point of emphasising both the complexities of the capital:capital as well as the capital: labour elements of the state function go beyond the fact that problems in one are usually attempted to be resolved in the realms of the other, they also reinforce the point regarding the highly politicised nature of current state restructuring. Burnham's argument regarding 'depoliticisation' echoes the OECDs desperate attempt to describe the New Zealand experiment as non-ideological. It is an apparent paradox that at a time when dominant analysis of the state restructuring emphasises a social democratic pluralist consensus, the activities of the state are becoming increasingly political and contested. For Ellen Meiksins Wood, the states growing role in capitals anti-social purposes means that the state would increasingly become a prime target for resistance:

" if anything, the state is the main agent of globalisation. US capital in its quest for competitiveness demands a state that will keep social costs to the minimum, while keeping in check the social conflict and disorder generated by the absence of social provision. In the European Union, which is supposed to be the model of transnational organisation, each European state is the principal agent, for instance, in the creation of conditions for monetary union. Each state is the main agent forcing on its citizens the austerities and hardship need to comply with the stringent requirements of the currency, and each state is the main instrument for containing conflicts engendered by these policies, the main agent for maintaining order and labour discipline' (Meiksins Wood 1997: 12)

Increasingly questions to do with employment and unemployment, poverty and inequality, environment and health, land and water (to name but a few) are becoming connected with the anti-social activities of the state and supra-state organizations (eg TNCs and the IMF). At the same time the dominant political orthodoxy increasingly attempts to lay the blame for political and social problems on the individual 'failings' of the

poor and oppressed (Bauman 1998). This goes far beyond Fairbrothers' renewal hypothesis and places politics at the heart of the equation.

In the wake of the September 11th attack on the World Trade Centre we have seen a fundamental repositioning of the state. George Bush, confronted by a struggling US economy, not only resurrected military Keynesianism with a \$US 40 Bn budget for the war on terrorism, but also introduced a \$US 51 bn reflationary package for the US economy which included extending benefits for unemployed workers. Business leaders at the World Economic Forum in 2002 were confronted by three unanticipated threats: Enron Corp, Argentina and al Qaeda (The Age 6.2.2002). For Ulrich Beck, a pessimistic reading of this scenario suggested the emergence of more powerful, intrusive and active states. Crucially states would act now in a more transnational form and in the surveillance state form will build military complexes and increasingly undermine democracy and freedom. Attacks around the world on civil liberties in the name of the war on terrorism would seem to support Becks thesis (AFR 9.11.2001). This confronts moves towards a more decentralised state engaged with the institutions of civil society. It would appear that state action and restructuring, 'depoliticised' or not, is going to be a site of contest and confrontation for the foreseeable future.

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