

‘Double Hegemony’? State and Class in American Foreign Economic Policymaking

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ABSTRACT

The paper introduces research on transatlantic relations done by neo-Gramscian authors. This research is distinctive by focusing on class in international relations and by using the concept of hegemony in a relational sense. Hegemony is leadership through the active consent of other classes and groups. A central question of this neo-Gramscian research is whether an international class of capitalists has emerged. Some authors have answered in the positive. This paper, however, maintains that hegemony in the international realm is still exercised by the American state, though its foreign economic policies have been greatly influenced by internationally-oriented corporations and that these actors have increasingly found allies among economic elites in other countries. The paper explores the relationship between hegemony by the American state and by internationally-oriented capital groups against the backdrop of transatlantic relations in the post-war period and the current debate on labor rights in international trade agreements.

1. Introduction

The United States government has been, without doubt, the decisive force in establishing and shaping the main multilateral institutions of the world market since the Second World War. It has consistently pursued the opening of other nations' markets to gain foreign suppliers. This leadership in liberalizing international trade has been mainly achieved by lowering access barriers to the American market. Given the mercantilist history of US foreign economic policy and the injury inflicted on many American industries by lowering tariffs, this leadership is quite an extraordinary achievement. This is all the more true, as trade deficits and, more recently, the end of the Cold War have undermined the original foundations of the American commitment to a liberal world-market order: economic superiority and anti-communism.

For an explanation of the US post-war commitment to a liberal world market, I will turn to the so-called neo-Gramscian approach. This concept picks up on key insights from the prison writings of the Italian communist leader, Antonio Gramsci. In particular, Gramsci's specific interpretation of hegemony and his focus on class promise a better understanding of power asymmetries in international relations. In the following, I will argue that the ability of the US government to exert hegemony in world markets continues to rest on the hegemony of a group of 'corporate internationalists' within the United States. There is thus a 'double hegemony' at play: a nation state and a class-based hegemony.

In dealing with this 'double hegemony' my main focus will lie on the domestic side of US hegemony. Only in passing will I concern myself with the quality of American leadership in the world market: whether this leadership passes as hegemony in a Gramscian sense.

2. Theoretical Approaches to American Foreign Economic Policymaking

In the immediate post-war era, interest-group 'pluralists' and 'realists' in the field of international relations were at ease in explaining the dominance of so-called free-traders within the US polity.¹ Most industries displayed a foreign trade surplus and the United States reigned supreme among Western nations. After 1970, when the trade surplus turned into a huge deficit and when the United States' international predominance eroded, however, the US government not only continued to espouse a free trade rhetoric but also pursued actively further multinational negotiations for trade liberalization. The executive's interest in maintaining the commitment to a liberal world-market order (shared by Congress, though to a lesser degree) has so far lent no support to the gloomy predictions of economists and public choice scholars using models of a 'market for protection'.²

Authors in the tradition of Max Weber find the reason for this contradiction in the independent status of policy-makers. For example, Stephen Krasner has argued that state actors try to represent national interests. When confronted by a choice of interests, state actors would usually give priority to broader foreign-policy concerns over more narrow economic interests, such as the inexpensive supply of raw materials.³

Similarly, Judith Goldstein has argued that „continued support for the liberal economic regime is a function of the acceptance by the policymaking community of a set of rules and norms“. ⁴ This ideological consensus among decision-makers rests on the belief that free trade is beneficial as long as all participants respect the rules. The increase in exceptions to the free trade rule while the rule in principle is upheld fits well with these statist arguments. However, the mechanisms for maintaining the ideological consensus among state actors have yet to be conclusively identified. To suppose a greater sensitivity to international obligations among state actors may be justified, but since the content of these obligations is open to interpretation and not all of them have been honored in recent years, this sensitivity may not be sufficient for maintaining ideological consensus. Furthermore, the assumed coherence and internal cohesiveness of the state bureaucracy in this Weberian tradition contradicts the institutional structure of the US state, commonly described as decentralized, fragmented, and relatively responsive to social forces. Even in the area of foreign policy, where Krasner believes a „strong state“ exists, numerous state agencies and actors compete vigorously for policy

¹ See Raymond A. Bauer, Ithiel de Sola Pool, and Lewis A. Dexter, *American Business and Public Policy: The Politics of Foreign Trade*, 2nd ed., (Chicago, IL: Aldine Atherton, 1972), and Robert O. Keohane, „The Theory of Hegemonic Stability and Changes in International Economic Regimes, 1967-1977,“ *Change in the International System*, eds. Ole Holsti, Randolph M. Siverson, and Alexander L. George (Boulder, CO: Westview, 1980): 131-62.

² See Stephen P. Magee and Leslie Young, „Endogenous Protection in the United States, 1900-1984,“ *U.S. Trade Policies in a Changing World Economy*, ed. Robert M. Stern (Cambridge, MA: MIT Press, 1987): 145-195; and Jagdish Bhagwati, *Protectionism* (Cambridge, MA: MIT Press, 1988).

³ See Stephen D. Krasner, „United States Commercial and Monetary Policy: Unravelling the Paradox of External Strength and Internal Weakness,“ *Between Power and Plenty: Foreign Economic Policies of Advanced Industrial States*, ed. Peter J. Katzenstein (Madison, WI: U of Wisconsin P, 1978): 51-87.

⁴ Judith Goldstein, „Political Economy of Trade: Institutions of Protection,“ *American Political Science Review* 80.1 (1986): 161-184; 180.

authority. All attempts to create an effective, centralized trade ministry have failed thus far.

The belief that capitalist elites instrumentalize the state for their foreign economic interests dominates the heterodox political science tradition.⁵ The free trade ideology of the state actors would therefore be the result of their dependence on dominant capital fractions. While the influence of resourceful capital groups must be considered in any explanation, the power elite theory falls short for at least three reasons. First, like pluralist approaches, it does not question state capacity. Second, it neglects the unintended consequences of actions as well as the unraveling of economic 'logic'. Third, the state remains a 'black box': This approach does not explore the relationship between society, on the one side, and the structure and functions of the state on the other side.

This critique applies less to studies inspired by a reading of Gramsci's work. These studies can account for the role of ideas, for the mechanisms producing consent, and for the impact of economic 'logics'.

3. Neo-Gramscian Approaches⁶

The point of departure of Antonio Gramsci's analysis of power relations is that capitalist society cannot ensure its own reproduction. The „dull compulsion of the production relations“, based on the separation of producers from their means of production, is insufficient for keeping the working class in its dependent position forever. But even the use of coercion is not adequate for this purpose; other, non-‘coercive’ strategies are required. To analyze these strategies, which aim at creating active consent among the subordinate classes, Gramsci developed several concepts: hegemony, organic intellectual, common sense, and historic bloc. Of primary interest here is the concept of hegemony.

Hegemony refers to an entrenched form of rule that resorts to coercion only in exceptional cases. A ruling class is hegemonic and not just dominant if it succeeds in winning approval to its authority among the members of other societal classes. The more this authority is not merely passively tolerated but actively supported, the more secure the hegemony is. The degree of approval generally rests on how far the ruling institutions address the respective interests of the other classes. The congruence of interests can be achieved, first, by taking into account the interests of other classes in the formative stage of the institutions. Second, attempts can be made to mold these interests so that they become equated with the institution itself. A hegemonic order will try to embrace both variants because a simple adaptation to the interests of other classes carries the risk that its own interests will be ignored and thus hegemony cannot be exercised. On the other hand, aligning the interests of other classes with one's own can only be achieved by cunning or extreme ‘coercive’ measures. Whenever hegemony essentially relies on cunning and coercion, as Gramsci believed the ruling middle class did after successfully removing the yoke of feudal power, then it lacks ethical

⁵ See Laurence H. Shoup, *The Carter Presidency and Beyond. Power and Politics in the 1980s* (Palo Alto, CA: Ramparts Press, 1980), and C. Wright Mills, *The Power Elite* (New York: Oxford UP, 1956).

⁶ See Antonio Gramsci, *Gefängnishefte* (Hamburg: Argument, 1991ff): Gef 2, H3 §119; Gef 3, H4 §38; Gef 4, H6 §88.

legitimacy. One particularly effective form of hegemony by deception, Gramsci argued, is the co-option of the leadership of subordinate classes, so-called transformism. The ethical side of hegemony – leading other groups to the pinnacle of knowledge, technology, and culture – pertains only to allied classes, not to rival, ‘ruled’ classes.

The prerequisites for the hegemony of a class, Gramsci maintained, are, first, that the class effectively organizes the production of goods; second, that it be capable of taking into account the interests of other groups; and third, that it has cultural leadership. The hegemonic class passes through typically three phases that correspond with its division of society into a socio-economic structure, a civil society, and a political society. In the economic-corporative phase, the members of a class discover their sets of interests based on their status in production and begin to organize themselves accordingly. In this stage, their demands are short-sighted and fixated on their own economic interests. Only once when they are in a position to develop strategies for ‘universalizing’ their interests – which presupposes abandoning short-term interests – do they reach the next, ethico-political phase. The final, hegemonic or state phase is attained if the members of a class can give their political agenda the nature of a state and thus ‘armor’ their hegemony in civil society with state coercion. Even though Gramsci saw hegemony as rooted in the production sphere, the so-called base, he nonetheless understood the so-called superstructure – henceforth differentiated by Gramsci as ‘bourgeois-civil’ and ‘political-statist’ society – as more than a mere reflex of the base. On the one hand, dominance of a class in the social relations of production does not automatically translate into its dominance in the superstructure; on the other, power relations, institutions, and ideologies in the superstructure have an impact on the production sphere.

Gramsci believed that the ruling middle class does not rely solely on the state in the narrower sense but finds its support in civil society. This point is worthy of further investigation in a field characterized by the absence of a central ‘coercive power’. In contrast to the neo-realism theory of international relations, which sees the state as the sole actor on the international stage and reduces power relations to quantifiable resources, neo-Gramscians introduce the parallel dimension of class and develop a concept of power that primarily rests on the ability to ‘universalize’ the particular interests of a group.

The first approach to using Gramsci’s work for understanding international relations is found in an essay by Robert Cox on the United States’ relations with the International Labour Organization (ILO).⁷ Cox shed light on the quality of American hegemony within international organizations as well as on the neocorporatist integration of US unions into the hegemonic project of the USA. In his critical contribution to the debate on Kindleberger’s hegemonic stability thesis, Cox presented Gramsci’s concepts as an alternative method of analyzing the international relations of capitalist nations. Cox

⁷ For a succinct introduction to the work of Cox, see Timothy Sinclair, „Beyond International Relations Theory: Robert W. Cox and Approaches to World Order,“ *Approaches to World Order*, ed. Robert W. Cox with Timothy J. Sinclair (Cambridge: Cambridge UP, 1996): 3-18. The same volume contains a brief autobiography by Cox. See also Robert W. Cox, „Labor and Hegemony,“ *International Organization* 31.3 (1977): 187-223. Robert W. Cox, „Gramsci, Hegemony and International Relations: An Essay in Method,“ *Historical Materialism and International Relations*, ed. Stephen Gill (Cambridge: Cambridge UP, 1993): 49-66; Robert W. Cox, *Power, Production, and World Order* (New York: Columbia UP, 1987). See in this context also Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton, NJ: Princeton UP, 1984) 32; 39; 44.

demonstrated the empirical implications of this instrument in a comprehensive study on the social structure of the capitalist accumulation process and the emergence of international historic blocs since the beginning of the industrial age.

Kees van der Pijl, still strongly influenced by structural-deterministic Marxism, studied processes of transatlantic class formation in the post-war era, laying the groundwork for the central research field of the neo-Gramscians: formation processes of an international bourgeoisie. ‘Cox student’ Stephen Gill in particular was instrumental in propagating the neo-Gramscian approach. The textbook he co-authored with David Law on international political economy contrasted the theoretical bases, methodology, and empirical application of the approach with those of the leading paradigms of the discipline. What followed was an empirical study of the Trilateral Commission (see below), which underpinned Gill’s previous thesis about an ‘ethical hegemony’ of the United States over the Western industrial nations.⁸

From the neo-Gramscian viewpoint, the liberal world-market order of the post-war era may be interpreted as a project of internationally-oriented capital fractions in the United States (notably New York banks and law practices as well as transnational corporations from the various sectors). These fractions succeeded in hegemonically integrating into their project important groups in the United States on the one hand, and – through the resources of the US government – the other capitalist industrial nations on the other. Contact with the allied nations was organized not only at government level but also at private forums that served the capital fractions in terms of promoting the congruence of interests. The American actors were hegemonic in the sense that they took into account the interests of allied nations/capital fractions in the pursuit of their own long-term goals.⁹

Criticism of the now voluminous works by neo-Gramscians commenced in the 1990s. Within the broad and diversified Marxist scholarship, critics of Gramsci and neo-Gramscians can be divided into two camps: orthodox and post-positivist. They differ primarily in their understanding of the reproduction mechanism of the capitalistic means of production. In the orthodox view, once the major institutions of capitalism have come into existence, then the capitalist means of production will perpetually create their own conditions for reproduction owing to an immanent capital logic. By contrast, from the post-positivist perspective, this reproduction process is never secure but is constantly in a position of peril. Rather, the contingent and open-ended nature of all societal institutions is assumed.

The orthodox literature accuses Gramscianism primarily of politicism or voluntarism. Their main charge is that the Gramscian tradition neglects capitalist structural constraints, thus overestimating the possibilities for conscious and strategic action and at the same time overemphasizing the necessity of such action for the

⁸ See Stephen Gill and David Law, *The Global Political Economy. Perspectives, Problems, and Policies* (Baltimore, MD: The John Hopkins UP, 1988); Stephen Gill, „US Hegemony: Its Limits and Prospects in the Reagan Era,“ *Millennium* 15 (1986): 311-336; Stephen Gill, *American Hegemony and the Trilateral Commission* (New York: Cambridge UP, 1990); Alan W. Cafruny, „A Gramscian Concept of Declining Hegemony: Stages of US Power and the Evolution of International Economic Relations,“ *World Leadership and Hegemony*, ed. David P. Rapkin, (Boulder, CO: Lynne Rienner Publ., 1990): 97-118.

⁹ See Cafruny, „A Gramscian Concept“; Gill, *American Hegemony*.

reproduction of capitalist society. According to Burnham,¹⁰ market mechanisms of competition are what ensure the reproduction of bourgeois domination, political coordination in civil society being merely of secondary importance. Economic laws, particularly the law of value, govern international relations. Burnham cites as empirical evidence how the pace and manner of world-market integration of Great Britain in the immediate post-war period were dictated by its balance of payments.

The accusation of politicism has a long tradition.¹¹ It is based on Gramsci's break with the then predominant theory of the Communist movement, economic reductionism, which challenged not the primacy of the economic base in capitalism *per se* but the notion that society is fully determined by its base and that economic trends have the quality of laws of nature.¹² Yet Gramsci only just touches on concrete economic laws, though regulation-theoretical works show that his political insights are compatible with an economic base (as long as the latter is not awarded ontological status). Likewise, the challenge to the laws of societal development in Gramsci's writings should not be taken as an undervaluation of the restrictive effect of structures. Although as party leader he tried to overcome structural constraints, and in prison he held on to the party primacy by taking a positive stance toward Jacobinism,¹³ his reflections on defeat as preserved in his prison writings are characterized by an analysis of structural conditions.

The charge of politicism is more appropriate concerning Gramsci's followers. Though Cox, Gill, and Law never fail to stress that hegemonic relations are entrenched in production, they do not consider how much economic functional interdependence (e.g., balance of payments) influence the action of political players. Gill and Law in particular credit the elite with a surprisingly high degree of freedom of action.¹⁴ Rupert's analysis of the connection between US hegemony and labor disputes in the mass production industries shows, however, that Gill's voluntarism is not immanent in the Gramscian approach.¹⁵ **Moreover, Rupert stresses one important element of the post-positivist approach: that (economic) interests are not fix, but instead develop and are therefore changeable and subject to influence by actors.**¹⁶ Sadly, world-market-mediated effects are underrated by Rupert as well.

Thus, while orthodox criticism only partially applies to Gramsci, there remain some problematic orthodox remnants in Gramscianism. Ernesto Laclau and Chantal Mouffe convincingly argued that it has not consistently distanced itself from the essential apriorisms of traditional Marxist theory.¹⁷ Among these essentialisms is primarily classism, the idea that the working class represents the privileged actor of social change. In taking this criticism seriously, my approach differs from previous neo-Gramscian-

¹⁰ See Peter Burnham „Neo-Gramscian Hegemony and the International Order,” *Capital & Class* 45 (1991): 73-93.

¹¹ See Christian Riechers, *Antonio Gramsci – Marxismus in Italien* (Frankfurt/Main: Europäische Verlagsanstalt, 1970).

¹² See Gramsci, *Gefängnishefte*: Gef 4, §38.

¹³ See Gramsci, *Gefängnishefte*: Gef 1, §44; Christine Buci-Glucksmann, *Gramsci und der Staat. Für eine materialistische Theorie der Philosophie* (Köln: Pahl-Rugenstein, 1981): 61ff.

¹⁴ See Gill and Law, *The Global Political Economy* 83-101.

¹⁵ See Mark Edward Rupert, *Producing Hegemony: The Politics of Mass Production and American Global-Power* (Cambridge: Cambridge UP, 1995).

¹⁶ See *ibid.* 56.

¹⁷ See Ernesto Laclau and Chantal Mouffe, *Hegemonie und radikale Demokratie* (Wien: Passagen Verlag, 1991).

inspired studies of the United States and the world market by not privileging the world-market-oriented capital fractions a priori in my analysis. Instead, first all relevant society and state actors and their positions on foreign economic policy are identified. Then the factors contributing to the defense or shifting of these positions will be defined. Only then did I study the relations of dominance in the free-trade camp. Additionally, I look for open situations where the option of preventing further, or backtracking from previous, liberalization steps would have been possible. In so doing, I endeavor to reconstruct the context of the decisions taken in terms of opportunities for action and structural constraints.

4. Project World Market: The Liberalization of US Foreign Economic Policy

As mentioned earlier, the US government exercised its economic hegemony notably by opening its own market. In accordance with the standard of reciprocity of the world trade regime, the US government eased access to its own market in return for every tariff reduction and for every lifting of a non-tariff trade barrier (e.g., technical standards). Access to this huge market was and remains coveted. The success of companies from Germany, Japan, South Korea, and now China on the US market has been responsible for the dynamic strength of their respective economies. At the same time, this success has bolstered the export-oriented forces in these countries.

Although the opening of the US market is a key prerequisite for globalization processes, it cannot be taken as a matter of course. Even less so, considering that US reliance on an international division of labor has been comparatively small.¹⁸ Until the Second World War, US foreign economic policy was shaped by an ideology of economic nationalism, which took the form of a high tariff policy for industrial products. Ever since, the key players in foreign economic policymaking have been guided by the free trade gospel of dismantling trade barriers of all kinds. Yet polls show that, over the entire post-war period, a majority of Americans have viewed the opening of the US market with a great deal of skepticism, if they have not outright opposed it. The question arises how foreign economic policy could have been liberalized when there was neither obvious economic necessity nor unequivocal democratic legitimization.

The liberalization of US foreign economic policy from 1936 found wide consensus among the elite, the approval being strongest among representatives of government, banks, corporations, and the media as well as among economic experts. Their interests in a liberal foreign economic policy can only be partly explained by economic self-interest and the preservation of institutional power. In the various international and foreign-economic policy organizations (e.g., Council on Foreign Relations), consensus on the advantages of a liberal foreign economic policy was driven by other political goals, particularly the containment first of German and then of Soviet influence.

The emphasis here on the discursive formation of free trade consensus should however not lead to the assumption that this consensus came about purely intentionally. Tendencies toward internationalization are immanent in the capitalist economic order.

¹⁸ For the post-war domestic growth path, see Christoph Scherrer, *Im Bann des Fordismus. Der Konkurrenzkampf der Auto- und Stahlindustrie in den USA* (Berlin: edition sigma, 1992).

And the internationalization of economic activities cannot be reversed at the drop of the hat. The greater the integration of global markets, the higher the adjustment costs when trying to seal off the national economic arena. The irreversibility of internationalization is secured through international agreements. The renationalization of economic activities either violates contractual obligations or entails an arduous renegotiation with a multiplicity of nation states. Yet as the transition to the flexible exchange rate regime (1971-73) showed, the United States as world economic hegemonic power could flout agreements with impunity (see below).

Although in the post-war period the world-market-oriented corporate elite needed the support of the White House, the media, and experts for formulating and implementing their trade policy interests, they wielded the greatest power in the free trade camp. Their authority is underpinned chiefly by money. Thus they have formidable influence in the selection of candidates for political offices including the Presidency. The fact that the media are privately owned is a boon for them, as over 40 percent of campaign budgets are spent on radio and television advertisements.

Thus the world-market-oriented capital fractions can be characterized as hegemonic because they could give their political agenda a statist form, i.e. their agenda was institutionally incorporated into the government. Moreover, they succeeded in shaping the discursive terrain of foreign economic policymaking. In contrast to the period prior to the Second World War, the demand for product-specific protection no longer has the status of a universally valued principle but is now handled as a specific exception to a general principle of free trade. This reversal from the principle to the exception, which occurred in the immediate post-war era, facilitated the institutional channeling of protectionist demands and prevented companies threatened by imports from closing ranks.

Although the public was not convinced by the principle of free trade, it was open to the idea of fair trade, understanding fair to mean basically the reciprocal opening of the respective national markets. This distinction was never forgotten by the key players in foreign economic policy liberalization. They reached bi- and multilateral agreements on liberalization, propagated the content of such accords as reciprocal measures, and, after the Kennedy Round of GATT, they held out the prospect of compensatory payments for jobs lost due to import competition. There was another reason why the public's trade policy fears found little resonance in public discourse: It had no political representation. Until the late 1970s, both the unions and the pro-labor wing of the Democratic Party advocated the liberalization policy mainly out of considerations for the Western Alliance.

Beginning in the mid 1970s, however, some of the central assumptions underpinning the liberal foreign economic policy were successively called into question. First, the system of fixed exchange rates proved to be less and less compatible with America's global political ambitions and full employment goal. High expenditures for international military deployment (the Vietnam War), the growing demand for foreign products, and increasing direct investments in foreign countries led to a deficit in the balance of payments, which could be corrected only by official sales of gold or the inflationary printing of dollars. Presidents Kennedy and Johnson (1961-68) thus were confronted with the choice of scaling back their military engagement, rescinding the liberalization of the movement of goods, slowing down capital drain, or deflating the domestic economy. They decided to restrict the formerly unimpeded cross-border capital movements.

As long as the capital controls were merely temporary measures, the societal protagonists of the free trade project, notably the New York financial world, accepted these restrictions of their power of disposition and profit-making opportunities. From 1965, however, as the cross-border activities of more and more companies came under state supervision, the search began for ways of reconciling free trade and free capital movements. One remedy, propagated especially by monetarist economist Milton Friedman,¹⁹ was the transition to flexible exchange rates.

The rejection of capital controls marked a shift of the interests in the world market. Where earlier anti-communism united the free trade coalition, with the world market as the means for integrating both the allied nations and the working public into a Fordist production coalition, now the unifying interest was to use the world market in order to reject workers' demands. The unions' departure from the free trade coalition accelerated this shift of interests. The 'Burke-Hartke' bill launched by the unions in 1971, which called for extensive state regulation of transnational corporations, sent the domestic-market-oriented corporations and the remaining newspapers with protectionist stances into the camp of the free traders. 'Burke-Hartke' turned foreign economic policy into a class question: nearly all business associations were pitted against nearly all unions.

5. Trilateralism: A Response to Nixon's Unilateralism

In the Nixon administration, the internationalists had to share power with groups of a more domestic-market orientation. This became painfully clear when, in 1971 – the year of the first trade deficit since the turn of the century – President Nixon abandoned the Bretton Woods Monetary Order and unilaterally imposed a ten percent import surcharge. The latter policy alarmed the internationalists since unilateral US protectionist action would have seriously undermined the credibility of the free trade gospel. Several transnational liberals resigned their posts within the administration and joined the efforts of David Rockefeller to found the Trilateral Commission. The Commission set daunting tasks for itself; namely, „to oppose a return to the mercantilist policies of the 1930s, to integrate Japan into the core of the American alliance system; and to change the orientations of the foreign and domestic policies of the major capitalist powers so that they might become congruent with a globally integrated economic structure“.²⁰ The Commission explicitly included CEOs and political consultants from Western Europe and Japan. Its credo was to overcome the nation state: „The public and leaders of most countries continue to live in a mental universe which no longer exists – a world of separate nations – and have great difficulties thinking in terms of global perspectives and interdependence.“²¹ The objectives of the Trilateralists went further than criticizing Nixon for a lack of concern for the liberal world-market order. Those Commission members affiliated with the Democratic Party were trying to regain domestic consent to and international legitimation for US international activism,

¹⁹ See Milton Friedman, „Using the Free Market To Resolve the Balance-of-Payments Problem,“ Statement in *Hearing before Joint Economic Committee of the Congress*, 1963, reprinted in: *American Foreign Economic Policy*, ed. Benjamin J. Cohen (New York: Harper & Row, 1968): 87-98.

²⁰ Gill, *American Hegemony* 143.

²¹ Trilateral Commission Task Force Report, „Toward a Renovated International System,“ January, 1977, quoted in *NACLA Report*, From Hemispheric Police to Global Managers, July/August (1981) 6.

which had been lost owing to the Vietnam war and the cynical use Nixon and Kissinger made of 'Realpolitik'.

Their solution was most forcefully articulated by Zbigniew Brzezinski (the Trilateral Commission's first director): Engage in a human rights campaign, share power with the Western allies, and respond to Third-World aspirations „within a framework of generally cooperative relations“.²²

The Trilateralists were successful at first. The import surcharge was rescinded. With the demise of Nixon, the access of the Trilateralists to the executive was greatly improved. At the end of 1975, President Ford realized the idea of closer coordination among the Western powers by attending the first summit of the seven most powerful Western nations held at Rambouillet. The apex of the Trilateralists' triumph was reached when their fellow member Jimmy Carter became president. Carter recruited most of his foreign-policy staff from within the Commission and started in earnest the experiment to manage the world market (and world politics) in close collaboration with the most important allies.

Seen from outside the United States, the policy success of the Trilateralists was an attempt to reinvigorate US hegemony in a Gramscian sense, i.e. by taking into account the interests of allies. To accomplish this renewal of hegemony, the corporate internationalists had to renew their own hegemony within the United States. They succeeded by developing an intellectually cohesive program and by establishing a new organizational vehicle to lend institutional support for this program. They benefited greatly from the obvious failures of 'Realpolitik'.

6. The Limits of Trilateralism

At the end of Carter's tenure, the Trilateralists considered their own project a failure. The revolution in Iran and the Soviet intervention in Afghanistan were both interpreted as resulting from a lack of Western determination. A decision-making structure built on consensus, they argued, could not adequately avert the challenges to the capitalist world order. The allies also displayed little willingness to share in the costs of maintaining the *Pax Americana*. West Germany's chancellor, Helmut Schmidt, showed little inclination to support the Carter administration's policies of economic expansion. He refused to defend the US dollar. The dollar's subsequent precipitous decline in 1979 encouraged Carter to impose budget austerity and the Federal Reserve to increase interest rates. The world of nation states, which supposedly had already been overcome, had reared its ugly head.

These foreign developments did not simply challenge the idea of trilateralism. They also posed an immediate threat to the interests of the Commission's corporate members. Third World assertiveness translated into higher prices for raw materials, threatened their steady supply, and led at times to the expropriation of assets. The weakness of the US dollar imperiled the privileged role of American banks in the world capital markets.

The critique of trilateralism on an international scale coincided with the rejection of tripartism in the domestic arena. The Carter administration had developed the concept

²² Fred Bergsten, quoted in Holly Sklar, „Trilateralism: Managing Dependence and Democracy,” *Trilateralism. The Trilateral Commission and Elite Planning for World Management*, ed. Holly Sklar (Boston, Mass.: South End Press, 1980): 1-58; 25.

of tripartite re-industrialization to manage the impact of growing foreign competition. This was to be jointly conceived and implemented by representatives of capital, labor, and the state. From management's perspective, however, tripartism perpetuated precisely what was perceived to be the main cause of their lack of competitiveness: the accommodation of labor's interests. In contrast, political action 'against' the state held the promise of improving industry's conditions of accumulation at the state's expense. It would also give firms the freedom to pursue strategies to weaken labor or, if these failed, to move out of production altogether. The managers of industries in distress, with the exception of Chrysler, rejected Carter's offers for tripartite crisis management.²³

In response to the international challenges and the new domestic agenda, many internationalists abandoned trilateralist 'accommodationism' and turned to the unilateralist position espoused by the supporters of Ronald Reagan.²⁴ US interests were to be furthered by the 'free play' of market forces. International cooperation was no longer considered necessary. Complaints of other countries that the US budget deficit and high dollar were distorting the international monetary and financial system, went unanswered.

Instead, it was hoped that the unilateral actions would force other countries to pursue „structural (i.e., microeconomic) policy reforms to bring down inflation and free-up labor, capital, and product markets“.²⁵ Thus Reagan's unilateralism was not a rerun of Nixon's 'domesticism' but a conscious attempt to project America's structural economic power abroad and set the conditions of its economic relations with other states. Internationalism was not abandoned. Rather, it was stripped of its 'cosmopolitan' rhetoric and became firmly rooted in 'national interests'.

Yet the limits of unilateralism became apparent shortly after its adoption. When Mexico threatened to default on its loans, the liquidity crisis threatened US banks. In response, the Reagan administration negotiated a common debt crisis strategy with other creditor nations. Moreover, the policy of strengthening the dollar had made imports ever more cheaper and ubiquitous. Hard-pressed domestic industries cried for protectionism. The administration deflected these calls with a devaluation strategy. But this presupposed cooperation with the other central banks, for unilateral action would have risked an uncontrollable flight out of the dollar. Thus, by the mid 1980s, the United States returned to cooperation (cooperation here should not be confused with harmony of interests).

Despite these obvious limits of unilateralism, the return to a more cooperative strategy at least toward the Western allies was made possible precisely because unilateralism had achieved its main objective: to avert the challenges to capitalist rule. The power of labor, both inside and outside the United States, had been weakened. The terms of trade for raw materials deteriorated and the debt crisis forced many countries in the periphery to adopt a more 'welcoming' attitude to foreign enterprises. Furthermore, American unilateralism did enjoy support from abroad. Basically all those groups who wanted to break loose from the Christian/Social Democratic class compromise welcomed the policy shift under Reagan, foremost the British Tories under Prime Minister Margaret Thatcher.

²³ See Scherrer, *Im Bann des Fordismus* 200-209.

²⁴ See Gill, *American Hegemony* 223-226.

²⁵ Henry R. Nau, *The Myth of America's Decline. Leading the World Economy into the 1990s* (New York: Oxford UP, 1990) 216.

7. The New Trilateralism as Global Constitutionalism

A further consequence of the high interest rate and high dollar policy of the early Reagan years could be used against the allied industrial nations; namely, the meteoric rise in trade deficits. Contemporary trends in foreign economic theory provided arguments for a 'strategic trade policy', which would force other nations to open their markets by threatening to close the US one. In addition to companies from the high technology sector, suppliers of sophisticated services and owners of copyrights joined the group of open market strategists. Together with various think tanks and supported by large internationally-oriented foundations, they popularized the notion that services could be rendered transnationally, that national regulations of the respective sectors prevented this, and that consequently the dismantling of these barriers must be negotiated in the framework of GATT. This idea was received enthusiastically by the Reagan administration because it afforded the possibility of channeling commercial pressure toward free trade.

Paradoxically, the trade deficit gave the United States bargaining power. Foreign countries were much more dependent on access to the US market than the American economy was on access to foreign markets. Thus the Washington government could function as a battering ram against the national self-interests of transnational corporations in other countries. The threat of imposing sanctions – occasionally enforced – compelled not only Japan to lower non-tariff trade barriers and to deregulate its economy, but Western Europe as well. Again, the US demands were welcomed in both regions by many economists, the top leadership of business groups, and parts of the ministerial bureaucracies.

The unilateral measures proved to be helpful in concluding bilateral free trade and investment protection agreements as well as in establishing the World Trade Organization (WTO). The Canadian government's decision to crown its neoliberal policy change of the mid 1980s with a free trade zone with the United States was driven by a growing wariness of increased protectionist measures on the part of the US government. Moreover, the conservative Mulroney administration saw a free trade agreement with its neighbor (enacted in 1988) and the concomitant concessions to the US government as a catalyst for further neoliberal reforms in Canada.

Similar motives underlay the Mexican government's interest in the North American Free Trade Agreement (NAFTA). Among the NAFTA boosters in the United States, who, like David Rockefeller before them, had pushed for a continental free trade zone since the 1960s, support for NAFTA took on virtually counter-revolutionary dimensions. The motive of contractually exorcising the specter of an independent Latin American course was divulged in manifold ways in the statements of NAFTA advocates. In six out of 10 New York Times editorials on NAFTA, the lock-in of neoliberal reforms in Mexico was mentioned as one of the specific advantages of the agreement. This motive conspicuously resurfaced in the discussions on the peso crisis after NAFTA came into effect. Appearing before a Senate committee, development expert Rudiger Dornbusch raised the specter of bolstering the „retrograde camp“ in Mexico if „our model“ there were not safeguarded by the monetary rescue package.²⁶

²⁶ Rudiger Dornbusch, quoted in Edward Herman, „Mexican Meltdown; NAFTA and the Propaganda System,“ *Z Magazine* 8.9 (1995): 36-42; 37.

Moreover, negotiations on a free trade zone with Canada aimed at influencing the GATT round, as the first-time inclusion of services in a free trade agreement should serve as a model for GATT rules. The investment and copyright protection provided for in NAFTA should in turn serve as the basis for multilateral agreements with developing countries and emerging economies.

At the close of the Uruguay Round of the GATT, the developing countries were willing to make hefty concessions toward opening their markets in the hope that a more powerful dispute settlement process in the framework of the World Trade Organization would hinder Washington from taking unilateral trade actions. In contrast to its stance toward the International Court of Justice, the United States has thus far abided by the decisions of the WTO.

The restrictions to state 'tyranny' – notably toward foreign investors – brought about through debt crises, NAFTA, and the WTO would be broadened and cemented in the 1998 Multilateral Agreement on Investments (MAI), which would initially apply only to OECD member-states. This agreement would guarantee the protection of international investors from expropriation and from discrimination that favors locally based companies. Investors would even be given the right to sue a government in an International Court of Justice. The implications of this agreement were aptly described by the former Director General of the WTO, Renato Ruggiero: „We are writing the constitution of the united world economy.“²⁷ At first, opposition by France and determined mobilization, particularly by the American consumer organization, Public Citizen, blocked the signing of the MAI. But this initial failure did not discourage the diverse national and international corporate alliances (including Business Investment Network, Transatlantic Business Dialog, European Roundtable, as well as the Trilateral Commission). Together with the finance and economics ministries of most industrial nations, they pursued this 'bill of rights' of capitalism primarily through bilateral agreements between their state spearhead, the US government, and other countries.

Since its beginnings in the early 1970s, the trilateral project has moved from securing a liberal world-market order by accommodating labor and Third World interests to a global constitutionalism where private assets are protected from state interference and restrictions.

The success of the internationalists rested not only in their ability to transform nationalist impulses into strategies for opening up other nations' markets. They used their privileged position in society and the state for effective discursive strategies.

On the one hand, they swayed public opinion through numerous strategies: by appealing to and invoking common sense, by restricting the field of public discourse, through selective publication and interpretation of poll results, by playing down the significance of a given subject in the public's eye. They used canvassing methods to develop their discursive strategies; i.e. they conducted surveys to test the persuasiveness of individual foreign trade policy arguments. This revealed the effectiveness not so much of economic arguments but of portraying liberalization measures as a way of honoring the United States' right to leadership.²⁸ Nor did the administration, the media

²⁷ Lori Wallach, „Das neue internationale kapitalistische Manifest,“ *Le Monde Diplomatique*, German edition (February 1998): 16.

²⁸ Christoph Scherrer, *Globalisierung wider Willen? Die Durchsetzung liberaler Außenwirtschaftspolitik in den USA* (Berlin: edition sigma, 1999) 145-155.

and the experts shy away from consciously deceiving the public on a number of occasions.²⁹

On the other hand, they succeeded in preventing the still largely critical attitude of the public from affecting policy. In particular, their ability to build consensus among the elite enabled them to hinder until the late 1960s the public's free trade skepticism from finding political representation. Later, the free trade consensus of the elite (which was especially strong among the media) helped marginalize those persons and organizations who tried to exploit the public's protectionist tendencies for campaign purposes or to mobilize against further liberalization measures.³⁰ In some cases, most recently during the implementation legislation for the Uruguay Round of GATT, the administration and congressional leadership delayed controversial votes until the risk of not being reelected was at a minimum.³¹

Moreover, each administration knew how to play on the foreign trade fears of the public. Although often no more than symbolic gestures, the president and Congress insisted on reciprocity, stipulated special protectionist clauses, and granted financial compensation.

Meanwhile the critics of liberal foreign trade policies contributed to their own marginalization. The trade union federation AFL-CIO was incapable of closing ranks with critics of other aspects of the prevailing foreign policy, nor did it show itself adept at using academic expertise or attracting experts for its positions. In important foreign trade policy decisions (e.g. the Bretton-Woods monetary crisis, the dollar crisis under President Carter), it therefore lacked convincing alternatives. The analysis of public opinion polls further demonstrates that the AFL-CIO did not grasp how to turn its foreign trade policy positions into a foreign policy program palatable to the public.³² Thus proving the critical relationship between the quality of a political project and its power to influence policy. Quality means not only a solid academic basis for the arguments, but primarily the ability to incorporate the interests of important societal actors as well as to take into account structural effects of practices that are either unquestioned or well-defended. Naturally, this insight applies also to projects of the elite networks.

8. Symbolic Politics: Social Clauses³³

The disputes over social clauses in the World Trade Organization are instructive for a discussion on the double nature of the United States hegemony because they disclose the following paradox: the opposing forces are the hegemonic internationally-oriented economic circles in the US, whereas the Washington government is one of the most staunch supporters of social clauses.

For many years the International Confederation of Free Trade Unions has called for the incorporation of core workers' rights into trade agreements as social clauses. The

²⁹ See Scherrer, *Globalisierung wider Willen?*: 347-348.

³⁰ See Scherrer, *Globalisierung wider Willen?*: 240-246.

³¹ See Scherrer, *Globalisierung wider Willen?*: 304.

³² See Scherrer, *Globalisierung wider Willen?*: 97-104, 284-300..

³³ For an extensive discussion of social clauses, see Christoph Scherrer and Thomas Greven, *Global Rules* (Münster: Verlag Westfälisches Dampfboot, 2000).

trade privileges granted in these agreements would be made contingent on the respect for the following core rights: freedom of association, collective bargaining, prohibition of child labor and forced labor, banning discrimination in work and career as well as the elimination of gender-based wage discrimination. A joint advisory body of the WTO and the International Labour Organization would monitor compliance of the clauses. In the event of non-compliance, technical and financial assistance would be provided in an effort to support the respective country in achieving compliance. The ILO could recommend further measures – including trade sanctions – only in cases of flagrant or persistent violations and government intransigence.

A good case can be made for claiming that internationally binding social standards not only guarantee respect for human rights, but can also enhance a country's opportunities for economic development.

Yet this viewpoint is shared neither by most governments of developing and threshold countries nor by economists and managers. All the major trade associations in the United States reject social clauses. Why then has the Clinton administration become their champion? **Past experience might help to answer this question.** In 1984, human rights groups were able to push through the social clause in the United States' General System of Preferences (GSP) against the will of President Reagan at the time. They succeeded because of a particularly favorable political situation. Apart from President Reagan, only a handful of active supporters advocated the renewal of the GSP program; namely, those exporters, multinational corporations, and US importers trading in goods that would have incurred high or very high tariffs without GSP. In addition, Reagan stood behind the demand of business to link the granting of GSP to the protection of intellectual property. In view of this breach of the General System of Preferences principle of non-reciprocity, Reagan as well as Congress could not refuse social conditionalization. Opposition to these clauses was indeed minimal, not least because the president was afforded ample power of discretion. The enforcement history of the social clauses confirms the Reagan administration's calculation that it could get by with symbolic politics for the most part. Preferences were withdrawn only from politically outcast countries.

The 1994 North American Agreement on Labor Cooperation marked the first time within the framework of an international trade agreement, NAFTA, that a Commission for Labor Cooperation was set up to monitor compliance with national social standards. This agreement came about because many Americans did not share the enthusiasm for NAFTA felt by the leaders of diverse political-societal institutions. Candidate Clinton tried to dispel criticism by promising renegotiations. As president he promptly honored his promise, and in March 1993 negotiations began with the Mexican and Canadian governments over subsidiary agreements on workers' and environmental issues. In light of Mexico's intransigence, private sector opposition in America, and the conservative Canadian government's apathy, the outcome of the negotiations was quite paltry. Although the unions and environmental groups remained steadfast in their opposition to NAFTA, the subsidiary agreement facilitated its passage.

The Labor Side Agreement provides little leeway for imposing sanctions, which is then an involved procedure. Mainly moral suasion or diplomatic pressure is exercised. No noteworthy progress has been made in any of the cases thus far.

The Clinton administration's demand for social clauses in the framework of a continental free trade zone (Free Trade Area of the Americas, FTAA) or the WTO would have performed the same function; namely, to supply the president with a

congressional mandate to conduct negotiations. Yet he was denied this mandate after the ratification of NAFTA in 1993 and GATT in 1994. The Republicans, who reached a majority in Congress in 1994, were reluctant to give the democrat president an opportunity for success in trade policy, which would have further loosened the purse strings of corporate donors. At the same time, though, they were eager to show the business community which party had its trade interests at heart. The Republicans succeeded at this balancing act over the issue of social and environmental clauses: By making the argument on behalf of the business community for free trade and against social and environmental conditions, they laid the blame for the mandate bill's failure at the president's door. Once the latter was ready to abandon the social and environmental conditions, the Republicans attempted to discredit as protectionists the House Democrats who were still committed to those clauses. These Democrats in turn maintained that it was the Republicans' unwillingness to compromise on the issue of the social and ecological conditionalization of world trade that led to the bill's demise.

This maneuvering was possible only because the point of the negotiating mandate – the creation of a continental free trade zone – was less urgent than NAFTA, even among FTAA supporters. For US corporations, the planned WTO Millennium Round was less important than China's negotiations for membership in the World Trade Organization and the fight against trade sanctions being used as a foreign-policy tool.

The minor significance the business community attached to an FTAA is conspicuous in the hard line it took on the issue of social and environmental clauses. The prevention of another precedence case linking workers' rights and environmental standards with the trade regime was a higher priority than a continental free trade zone. Corporations and corporate alliances even founded a new organization, the Coalition for a Sound Trade Policy, to fight social and environmental clauses. In the run-up to the third ministerial conferences in Seattle, leading free trade theorists including Jagdish Bhagwati advised against a WTO Millennium Round as long as there was still the danger of such a precedence case.

This opposition also explains why the Clinton administration came out strongly in support of social clauses in Seattle in December 1999 but was not willing to make concessions in other areas to the countries involved. In view of the strong reservations of the business community, Clinton could not possibly link the demand for social clauses with concessions to developing countries.

In conclusion, the apparent contradiction between the American government's supposed function as a state 'battering ram' to open markets world-wide and its actual position on social clauses becomes unraveled upon closer analysis of the actions of the economic internationalists. First, the internationalists could usually count on the opposition of the governments involved (see the ministerial conferences of the WTO). Second, because of this opposition, they could use the demand for social clauses as leverage for achieving other demands. At the second ministerial conference in Singapore in 1996, suspicion was rife that the United States had come out so staunchly in support of social clauses in order to achieve its real goal: the liberalization of the world market for information technologies. This measure was initially rejected by many countries of the South, but not as vehemently as was the demand for social clauses. In exchange for dropping the latter, the agreement on information technologies found easier ratification. Third, whenever societal opposition to their liberalization plans threatened to obtain a congressional majority, the internationalists succeeded in reducing the content of the social clauses to an almost purely symbolic dimension (see

GSP social clauses and the NAFTA subsidiary agreement). Fourth, they have recently had other opportunities for achieving their goals (read debt crisis); thus they could afford to postpone further negotiations on opening markets, as long as the negotiating mandate for these could only be acquired at the cost of a stronger conditionalization of trade (see FTAA and the WTO Millennium Round). Fifth, there is an alternative to social clauses: voluntary codes of behavior.

9. The ‘Complex Interdependence’ of ‘Double Hegemony’

Does Gramsci’s conceptualization of the term hegemony deliver a better understanding of the power relationships in world markets? One will recall that Gramsci defined hegemony as the ability of a group to ‘universalize’ its particular interests. Hegemony is achieved primarily by ‘non-coercive’ means (e.g., by offering a framework for the solution of other groups’ problems) though not without coercion as a backdrop.

On the international level, US interest in securing a liberal world market and in containing communism matched well with Western Europe’s and Japan’s interest in military protection and in rebuilding their war-torn economies. Access to American markets proved to these allies extremely valuable. This access was made possible by a reversal of previous protectionist policies and by US support for a fixed exchange rate regime.

American hegemony eroded, however, when the US government attempted to shift the increasing costs of hegemony onto its allies. A transition period followed that was marked by failed attempts to regain hegemony under President Carter. Interestingly, the assertion of self-interest and the use of more ‘coercive’, unilateral means led to a renewed hegemony under President Reagan. However, coercion was by far not the only and dominant means. Intellectual efforts toward shaping a new, decidedly more market-oriented vision were well received among the allies. While achieved mostly in a unilateral fashion, Western allies benefited from the restoration of a regime of secure and inexpensive raw materials and from the strengthening of property rights in general.

The interests in strengthening the right to manage, however, was not shared by all political groups and reveals a class bias in the renewed hegemony: It moved from a Fordist (Christian-Social Democratic) project, which included workers and their representatives, to a neoliberal constitutionalist project.

This bias became apparent within the domestic US context when economic internationalism lost support among the representatives of workers. In fact, the internationalists have never succeeded in obtaining the active consent of a majority of Americans to their policy of easing access to the American market. However, the internationalists have displayed an extraordinary capacity for instrumentalizing domestic nationalist challenges for their own purposes. They have transformed nationalist impulses into strategies for opening up other nations’ markets.

This transition period from Fordist to neoliberal hegemony highlights three valuable Gramscian insights. First, it shows that economic strength may be a necessary precondition for hegemony but not a sufficient one. Economic or military strength does not automatically translate into hegemony. Rather, hegemony has to be discursively and strategically maintained. Second, international hegemony and domestic hegemony are

interdependent. On the one hand, a nation's hegemony is consolidated only when its hegemonic forces support its outward strategies of 'universalizing' its national interests by accommodating foreign ones. Once this support waned in the US case, US hegemony became fragile. On the other hand, challenges to international hegemony threaten domestic hegemony. The increasing costs of the Fordist hegemony undermined the position of internationalists in the US domestic arena. The internationalists had to reinvigorate their hegemony by forging new domestic alliances and by discursively readjusting their objectives. This in turn allowed them to further their project of liberalizing the world market. In breaking down barriers to market access abroad, they made effective use of American power. Third, the common focus on hegemony in international relations as a characteristic of a nation state is far too narrow. The international space is divided not only by national boundaries but also by class and other categories of identity. American hegemony was successfully renewed because its market-oriented message fell on the receptive ears of owners and managers of firms world-wide.