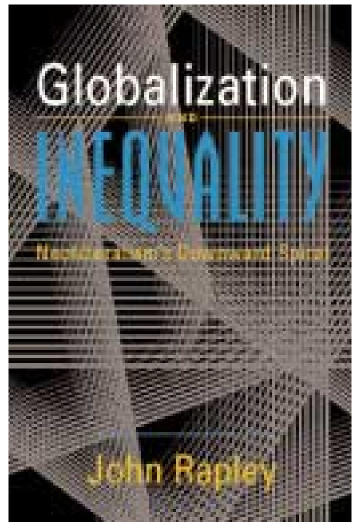
EXCERPTED FROM

Globalization and Inequality: Neoliberalism's Downward Spiral

John Rapley



Copyright © 2004
ISBNs: 1-58826-245-6 hc   1-58826-220-0 pb

LYNNE RIENNER PUBLISHERS
1800 30th Street, Ste. 314
Boulder, CO 80301
USA
telephone 303.444.6684
fax 303.444.0824

This excerpt was downloaded from the
Lynne Rienner Publishers website
www.rienner.com

1

Inequality and Instability

"The palace is not safe when the cottage is not happy," wrote Benjamin Disraeli in the nineteenth century. If expressed in a pithy manner, the idea was hardly original. More than two millennia before, Confucius had written that the ruler

> is not concerned lest his people should be poor,
> But only lest what they have should be ill-apportioned.
> He is not concerned lest they should be few,
> But only lest they should be discontented.
> And indeed, if all is well-apportioned, there will be no poverty; if they are not divided against one another, there will be no lack of men, and if there is contentment there will be no upheavals.[1]

Among contemporary political scientists, it has become almost axiomatic that material inequality and political instability go together. The belief embodied in Disraeli's adage became an object of research among political scientists in the 1960s. James C. Davies argued that revolutions were provoked not by indigence, but by rising prosperity, if and when that prosperity ended abruptly, causing the citizenry to feel that they were being shortchanged by their political leaders. Around the same time, Samuel Huntington argued that since rapid economic growth tended, at least in the short term, to coexist with a widening pattern of income distribution—a rule of thumb among economists known as the Kuznets curve—it led not to rising contentment but to greater discontent.[2]

The theory of "relative deprivation" was developed by Ted Robert Gurr in his classic book *Why Men Rebel*.[3] However, Gurr borrowed the concept from W. G. Runciman, who in turn, in his book *Relative Deprivation and Social Justice*,[4] had drawn upon a 1949 study of the U.S. Army that located discontent in comparisons to more successful reference groups. The concept therefore originated in social psychology, finding its way afterward into political science. Yet political observers had long been aware of the phenomenon. In *The Ancien Regime and the French Revolution*, Alexis de Tocqueville had noted that it was in those parts of France that had experienced the greatest economic improvement in the period leading up to the revolution that discontent ran highest. "Patiently endured so long as it seemed beyond redress," he had written, "a grievance comes to appear intolerable once the possibility of removing it crosses men's minds."[5]

From such insights, Gurr came to define relative deprivation as "a perceived discrepancy between men's value expectations and their value capabilities." He went on to add that "societal conditions that increase the average level or intensity of expectations without increasing capabilities increase the intensity of discontent. Among the general conditions that have such effects are the value gains of other groups and the promise of new opportunities."[6] Therefore, exposure to a new reference group could well induce discontent and a search for radical change, even in the midst of rising prosperity. This point is worth bearing in mind throughout this book, in light of the discrepancy that has arisen between the expectations created by cultural globalization and the opportunities made possible by economic globalization. The essential point that emerged from Gurr's study was that in contrast to the conventional belief that contentment rises with prosperity—which happens to underpin most economic theorizing—in fact the opposite relationship frequently occurs: economic growth may actually induce social discontent.

In the 1970s, some political scientists and sociologists developed a theoretical explanation for this fact. It was to be called the theory of the moral economy. The basic thinking was that subordinate classes consented to the domination of an elite, provided that the elite was seen to be observing certain responsibilities to those they governed. Once these norms collapsed, usually in times of rapid economic growth that coincided with institutional changes—creating a more atomized society—instability resulted.[7] And if the moral economy school was to be criticized, it was more for its economic reasoning—in particular its assumptions about the rationality of peasants and their purported resistance to change—than for its political theory.[8]

In a 1987 article, Edward N. Muller and Mitchell A. Seligson gave the inequality-instability nexus what was to be perhaps its most systematic treatment when they showed that increased income inequality led to a substantial increase in the probability of domestic political violence.[9] Subsequently, further treatment revealed that policy changes that induced greater income inequality and withdrew state protections for the poor in Third World countries had begun a wave of political protest, originating in the 1970s and continuing since;[10] similarly, it now seems to be an accepted position among criminologists that widening inequality leads to a rise in crime.[11] In the 1990s a stream of primary studies lent credence to these claims, suggesting that structural adjustment policies had fed political instability because of the way they removed protections for the poor and widened income distribution.[12] Indeed, so widespread was the agreement on this point that even the World Bank, by the late 1990s, had come to accept that adjustment programs had to do a better job of sheltering the poor or assisting their transition to a new economy: whatever the economic viability of adjustment programs, they were proving to be politically unsustainable.[13]

What is interesting to note is that in recent years, support for the inequality-instability hypothesis has come from an unlikely source, namely neoclassical economics. At one time, virtually all neoclassical economists accepted the thesis that income inequality was functional to growth because it raised the savings rate—rich people typically have a lower marginal propensity to consume than poor people—and therefore accelerated investment. Friedrich Hayek added the further nuance that since demand for new products almost always emerges from among the rich, who alone can afford the cost embodied in research and development expenditures, the rate of innovation is also augmented by income inequality.[14] In the United States, such thinking had a great impact among politicians and policymakers from the 1980s onward, providing justification for taxation and fiscal policies that favored the rich over the poor, in both Republican and Democratic administrations.[15] Yet many neoclassical economists have in recent years been expressing doubts about the validity of the thesis that inequality is good for growth. They have pointed out that in poor societies, it may speed physical capital formation but inhibit human capital formation, which is an essential precursor to growth in poor countries. More important to this discussion, though, recent research suggests that it creates an uncertain policy environment and political instability, inhibiting fixed capital formation.[16] Some of the basis for the shift in economic thought may be found in the research of those few economists, like Richard Easterlin, who try to ascertain the roots of human happiness and the role played in this by material prosperity. Based on his comparison of income changes and surveys of contentment over time, Easterlin concludes that what drives human happiness is not absolute but relative levels of prosperity.[17] In other words, it is better to be a rich man in a poor society than a poor man in a rich society, even if the latter individual's absolute level of prosperity is higher than that of the first. This is really not surprising. Relative wealth affords one power over other individuals, and a good many philosophers would argue, in keeping with Friedrich Nietzsche, that humans derive more satisfaction from gaining power over the lives of themselves and others than they do from gaining power over material objects (by way of greater purchasing power). The obverse side to this is that a diminution in relative power, brought on by a widening pattern of material distribution, will augment dissatisfaction in that share of the population experiencing the decline.

To date, though, research on this subject has been confined essentially to national or regional case studies.[18] Academics have correlated patterns of income and wealth distribution with the incidence of political instability within given countries, or sometimes within given regions. But inferences based on the global distribution of income and wealth have yet to be made. Accordingly, what this book seeks to do is import the insights from comparative politics on the inequality-instability nexus into the field of international political economy. It seeks to understand, in essence, the impact neoliberal globalization has had on income distribution patterns worldwide, and how the latter have affected political stability on both local and global scales (seeing the two as increasingly intertwined). To accomplish this, the book will borrow a concept from international relations theory—that of the regime—to apply within the theory of comparative politics. It will thereby make political regimes, rather than institutions, the object of study in assessing changes in political stability. In keeping with the way that globalization is changing the world in which we live, therefore, the theoretical approach of this book lowers the barrier separating comparative and international political economy, suggesting that with respect to at least some topics, the two disciplines are merging into one.

The neglect of the global causes and consequences of changes in income distribution and political stability among comparativists is perhaps a bit odd since, over the past decade, social scientists of all stripes have been preoccupied with the phenomenon of globalization. Among those who have written on this subject, a popular avenue of inquiry has been to focus on globalization's impact on the nation-state (which, of course, provides the contours of the national case studies in question). Opinion diverges, roughly, into two camps. Broadly, there are those who say that globalization has rendered the nation-state irrelevant, and those who say that it has not (about which more in Chapter 4). Those in the former camp are more likely to be found among neoclassical economists and management specialists. It can be argued that their conclusions are prejudiced by their disciplinary attitudes: tending to favor policies that minimize the role of the state in the economy, they are inclined to read into globalization a force that compels a retreat of the state. On the other hand, political scientists, particularly those with leftist leanings, are more inclined to put globalization in its historical context—something economists are more inclined to overlook—seeing it as not entirely novel. Of course, it is probably just as likely that their own disciplinary leanings prejudice them in favor of reading into globalization a force that reinforces or at least does not undermine one of their favorite objects of study (not to mention sources of employment)—namely the nation-state.

Nevertheless, hardly anyone would say that globalization is not altering the rules of the political "game." Though nation-states persist, and earlier reports of their demise have proved exaggerated, the way in which they operate has been greatly transformed. Military doctrines developed during the Cold War have been rendered largely irrelevant by the growth of the international drug trade, new brands of terrorism, and the possibilities of cyber-warfare. State firms almost everywhere have been privatized, and policymakers have shifted toward regulation as a means of using the state to influence economic policy. Financial liberalization and the emergence of a globalized capital market have compelled virtually all governments to become far more responsive to the signals that emanate from that market, not to mention those put out by increasingly independent monetary authorities. Fiscal policy thus operates within more confined boundaries. New communications technologies have posed challenges to authoritarian governments, while creating new opportunities for international criminal organizations. Tax policies have had to be redrafted in order to attract foreign investment or merely retain domestic investment, given the increased mobility of capital. Population movements have led to new forms of identity politics, which themselves pose new dilemmas for governing elites. The list goes on, and the importance accorded to each item varies with the disciplinary background or ideological predispositions of the discussant.

Returning to the question of the impact of material inequality on political stability, then, to date there has been a recognition of the global causes of the changing structure of income and wealth distribution. However, the context of the studies remains national. To cite one telling case, the documentary film *Life and Debt,* which encapsulates much of current radical thinking on globalization, attributes Jamaica's current ills to the downside of globalization, but lapses into the old habit of portraying Jamaica as victim rather than agent. The possibility that the instability resulting from Jamaica's woes at the hands of the global economy could itself reverberate on the global economy is scarcely allowed. Jamaica is portrayed in the otherwise excellent film as a recipient, not an exporter, of global forces. However, as I will argue in this book, if that reasoning was ever sufficient, it no longer is. Insufficient attention has been paid to the global *consequences* of this altered pattern of income and wealth distribution. This book seeks to remedy that lacuna by showing the ways in which what happens in one part of the new global regime affects all the other parts. If in a colonial world the flow of goods, services, and people was highly controlled by the mother country, today more resources travel in all directions, evading many of the controls the powerful countries attempt to place on the movement of these resources across their boundaries. It therefore follows that we have to move beyond the local and be prepared to find the effects of political-economic changes in one part of the globe showing up in an entirely different region.

I will therefore argue in this book that neoliberal policies have had the effect of raising aggregate income but skewing its distribution, thereby causing a rise in political instability and volatility, which, in turn, is undermining the viability of the neoliberal regime.

Regimes and Institutions

International relations theory makes use of the concept of the regime, which refers not to an institutional framework but to a prevailing way of doing things based on implicit and explicit norms. The concept has not really made its way into comparative politics. However, I will attempt such an adaptation in this book, arguing that we can best appreciate the impact of globalization in terms of the way it has altered or is altering not political institutions but political regimes. Most of the political literature on globalization tends to focus on the former, with the particular topic of debate being the future of the state. In the early 1990s, a popular topic in the academic literature was the crisis of the state—the supposed threats to the nation-state's hegemony posed by globalization—but in more recent years it has become apparent that "reconfiguration" rather than retreat has been the dominant trend. However, what this debate sometimes fails to capture is the profundity of the transformation that has taken place outside the formal sphere of politics. The focus on the state—which this book understands as an institution, or more properly a set of interconnected institutions, and not as a regime—has an obvious limitation, namely that it can blind one to these changes. Once one has proved that the state is not about to disappear—and it seems safe to say that this has now been established in the literature—it follows that globalization is not the paradigmatic change its early neoliberal proponents said it was.

Yet the change has indeed been paradigmatic. But the change does not manifest itself solely in institutional change, such as alterations in the organization of the state, but in social and political change as well. So far, sociologists and geographers have arguably done a better job capturing this evolving reality than have political scientists. With their studies of migration, cultural change—the globalization-localization and homogenization-hyperdifferentiation nexus—the deterritorialization of culture, and the emergence of the global city, they have touched upon a reality of profound change of which institutional decline or renewal is only a part, possibly no more than an epiphenomenon.

This book understands a regime to be the norms of reciprocity that govern relations between governors and governed, and between dominant and subordinate classes, presenting the argument that a stable regime corresponds to an implied contract that binds elites and masses in bonds of mutual obligation. Essential to a stable regime is a mass perception of distributive justice. This is not the same as equality. Distributive justice has historically been rooted in perceptions of not equal share, but just share, as Chapter 2 will proceed to elaborate. It is a contextual norm and therefore not an objective reality, being wholly and solely relevant to a given political system's environment. Regimes may change within a static institutional framework, and alternately the institutional framework may be changed without a regime being altered. Stable regimes, moreover, do not relate merely to material distribution, but have a cultural or spiritual component as well. Hence, regime stability tends to correspond to cultural stability, and regime crisis tends to correspond to cultural ferment and what Gramsci called hegemonic dissolution. When a regime breaks down—when, put simply, a party (usually the dominant one) is perceived to have broken its end of the bargain—political instability results as the regime enters into crisis. The word *crisis*, it is important to note, is employed not in the currently conventional sense to denote a time of catastrophe or severe difficulty (although a crisis may entail such), but rather in its original medical sense to mean a turning point or impasse at which a decision on future direction must be taken—that is to say, the point at which an existing regime can only be managed in an ad hoc manner but is no longer self-sustaining, resulting in a multiplication of symptoms of distress. Only by a restoration of the old regime or, more likely, the constitution of a new one will the crisis be resolved. When studied this way, politics is in all instances preoccupied with the role of the masses in the political system. Democracy may formalize this role, but mass consent is always essential to the power of the dominant. Regimes, I will argue, always depend on the approval of the governed.

In any event, a functional regime must contain two components: a distributive regime and an accumulation regime.[19] The logic is simple. To distribute resources, regimes must also generate them. Accumulation crises can sink a regime itself into crisis, as happened in the Soviet bloc states. But even with a viable accumulation regime, a political system with a malfunctioning distribution regime will still descend into crisis. Indeed, a political system can probably survive an accumulation crisis longer than it can a distribution crisis.

The presumption in many works and a great deal of popular discourse is that globalization is an independent variable. I will argue, however, that globalization is a descriptive but not a diagnostic term. That is to say, it describes a condition but does not identify its root causes. Instead, neoliberal policies have driven a certain type of globalization, one designed to strengthen the role of globalizing fractions of capital while eroding not only the state but also the regimes that operated to the benefit of the world's subordinate classes, thereby raising profit rates and accumulation. As such, neoliberal globalization has produced an eminently successful accumulation regime, and in the 1990s gave rise to what was one of history's most rapid phases of economic growth, particularly in the United States. However, in provoking a distributive crisis, the neoliberal regime has undermined and tipped itself into crisis. After several major but localized financial crises (Turkey in 1990, Mexico in 1994), the global regime entered into what would be a major crisis in 1997–1998, a crisis that began in Asia and reached its own logical culmination with the implosion of the U.S. stock markets beginning in the spring of 2000. Compounding this, of course, was the terrorist attack on the United States in September 2001, which led the world into a postmodern—not to mention costly—war, and whose causes, as we shall see, are closely related to those of the crisis that provoked the global recession. The regime is functioning badly, and while crises can be managed temporarily, they cannot be resolved within the context of the neoliberal regime. The result is that the severity of each subsequent crisis surpasses that of the previous, consigning the whole regime to permanent instability.

So far, this line of argument is neither terribly controversial nor particularly original. Journalists and academics, with an eye on the Third

World, have been pointing to outbreaks of antisystemic tendencies for at least a decade now. But what is original is the claim that, if these outbreaks of political instability and protest appear to manifest local causes and consequences, they are best understood as forming part of a global chain. The regime is global: while the extent and character of neoliberal adjustment varies from one setting to the next, shaped by local political conditions, most of the planet's inhabitants are increasingly integrated into a global political economy whose resource accumulation and distribution are increasingly governed by neoliberal principles. Thus this global regime can be studied as an organism in which problems in one part of the body will eventually, barring an amputation, metastasize throughout the entire being. Accordingly, market analysts and economists who have tried to study the behavior of U.S. financial markets wholly from the point of view of domestic economics and politics have failed to appreciate that both the bull market of the 1990s and the subsequent bear market were affected in no small measure by political developments in Third World countries.

If, therefore, neoliberalism rather than globalization is the culprit, this helps explain why the popular responses to the crises of the new global economy have been inadequate to the task of resolving the crises. Critics of the new global economy have unwittingly bought the neoliberal line that conflates globalization with neoliberalism, and therefore have all too often been tempted to resist the beast by retreating into a defensive parochialism. While it is true that neoliberal policies have driven the current wave of globalization and given it its peculiar character, recent technological developments ensured that some form of cultural globalization and economic integration would almost certainly have occurred. Yet there has been a popular tendency to see neoliberalism and globalization as one and the same thing. Perhaps the strongest current of this tendency has been found in the street protests that have dogged international financial gatherings ever since the Asian crisis. Yet as I will argue, the antiglobalizers have so far, with all good intentions, helped to consolidate the global hold of neoliberalism. Indeed, the so-called challenges to globalization, and the forces it has manifested, offer no solution to the regime crisis and often perpetuate what they seek to eliminate. What is needed is a new form of thinking that recognizes the unique opportunities presented by the technologies and changes behind globalization, while looking for an alternative to the neoliberal paradigm. To further complicate matters, a nuanced critique of neoliberalism is also required, for as we shall see, not everything about neoliberal globalization has been bad. Among other things, the weakening of states has in some places permitted democratic movements to flower and has enabled small and medium-sized businesses to challenge vested big interests.

The Rise and Fall of the Neoliberal Regime

Political elites succeed in consolidating their position when they establish distributional networks that solidify their support bases, and when they construct accumulation regimes. Political elites may be coterminous with dominant classes, but they need not be so, and in modern capitalist societies the two groups are typically distinct. Nonetheless, they are closely related in bonds of mutual dependence. But while the economic power of dominant classes or class fractions affords them a high degree of political leverage, they exclude the masses from political consideration at their own peril. Only in rare instances can elites construct stable and enduring political systems on a basis of mass exclusion. When a regime does begin to malfunction in this way, it creates a window of opportunity for rival elites to build up mass support bases in order to overthrow the governors. This may take many forms depending on the situation, including peaceful overthrow, revolution, anticolonial struggle, and foreign invasion. All the same, regime change may not lead to profound institutional change, but may occur within the context of a stable institutional framework.

However, political regimes entail more than material accumulation and distribution. They always entail a cultural or spiritual dimension. Like material regimes, cultural paradigms are evolved by elites, largely to serve the interests of dominant classes or class fractions, but nonetheless depend on mass consent for their secure existence. And generally, the cultural content of a paradigm that is accepted by a society will be that which corresponds to and serves their material interests. In this way, material and cultural reality will tend to mirror one another. Hence, stable regimes will be accompanied by a fair degree of cultural hegemony and stability. Equally, sudden change in the material conditions of a people's existence will render prevailing ideas obsolete, initiating a period of cultural experimentation. Politics is thus a conversation between governors and governed. The former may set the agenda, determining who talks and controlling the scheduling, so to speak, but they will usually find it hard to silence the other participants altogether.

It is now widely accepted that the state was the institutional framework that emerged alongside capitalism, while the nation was the identity that grew beside it. Hence the nation-state is seen as the political expression of modern capitalism. Even societies that sought to chart an alternative path to capitalist development, namely state socialism, accepted the nation-state as the foundation of political life, such that by the twentieth century the nation-state had become all but hegemonic in global politics. Nevertheless, the nation-state was not a regime but the framework within which regimes rose and fell (though national identity and the sovereign state would be integral elements of all the regimes that followed from its advent, widely seen as the French Revolution). In the post–World War II period, I will argue, two distinct if related regimes came to dominate much of the globe: in the First World, what came to be known as the Keynesian welfare state, and in the Third World, what can be called the developmentalist state (not to be confused with the developmental state, a term peculiar to the political economy of development). In addition to these, a third type of regime, communism, took hold in a smaller number of countries that nonetheless accounted for a good share of the planet's population. However, late in the twentieth century these regimes entered into crisis and permitted the rise of new elites who implemented neoliberal policy changes. These policy changes, in turn, restored the health of the accumulation regimes but created distributional crises, which ultimately provoked broader regime crises across the world.

In the developed countries, the crisis of neoliberalism has manifested itself in a turn against democracy, a retreat from politics (most pronounced among young people), and a growth in far-right and antisystemic political movements. These developments have been fed in part by a marginalization and loss of voice among the more vulnerable citizens in society, owing to the decline of the traditional left. Democracy is at greatest risk in the so-called new democracies, countries that have implemented or restored democratic systems in recent years. As liberal economic regimes have left many of the citizenries in these countries relatively (if not always absolutely) deprived in recent years, and as their spokespeople in the old left have gone over to the new right, they have turned their backs on their leaders, or in some cases turned against them, feeding a new grassroots left. The great wave of democratization that allegedly washed through much of the Third World in the last two decades or so of the twentieth century appeared to be poised for a reverse as the century came to a close.

Early neoliberal theorizing on the erosion of the state proposed the growth of "region-states" and increasingly autonomous regions as an alternative to the centralized apparatus of the nation-state. In fact, the nation-state has proved to be remarkably tenacious. Even in those places of the globe where its roots seem shallowest, as in some parts of

Africa, its imminent demise does not appear at all likely. Nevertheless, both de facto and de jure decentralization have whittled away the power of central governments in much of the world as governments, under pressure from globalization, have had to hive off responsibilities or reduce their fiscal base. In the most extreme cases, in the former socialist bloc, states have broken up altogether, leading to the creation of new states. In the less extreme cases, like Canada or Belgium, national states are under constant stress. And in several ethnically diverse countries, whether Trinidad and Tobago or Fiji, a resurgence of ethnic politics has fragmented the tenuous bonds of national identity. Where resource scarcities have become most pronounced, the violence has been greatest. Seen in this way, the 1994 Rwandan genocide appears not as a unique case of tribal barbarism, but simply as the far end of a spectrum of fragmentation and localization. Mirroring fissiparous trends identified and legitimized in recent philosophy, this process can be aptly termed postmodern politics.

Its logical corollary, not to mention its polar opposite, is what can be called fundamentalist politics. Although the doctrine of fundamentalism emerged from U.S. evangelical Christianity in the early twentieth century, the term has more recently been applied to describe certain socioreligious movements that have arisen in the Third World. The most significant of these has been Islamic fundamentalism, but there have also been fundamentalist movements in Judaism, Buddhism, and Hinduism. Fundamentalism is understood to mean a resistance to the intellectual and cultural pluralism that has arisen with modernity and even more so with postmodernity. Instead, stress is put on a return to the fundamentals, the basics, of a given faith. The irony is that fundamentalism, which in practice fiercely opposes postmodernism, owes more to it than it would like to admit. In particular, its vision of a past golden age is less a historical fact than an ahistorical artifact, invented more out of loyalty to present needs than to past truths.

Where postmodern and fundamentalist movements have established themselves, they have done so less because of their cultural critique than because of the ways they have exploited emergent regime crises. In particular, by plugging the distributional gaps left by retreating states, emergent elites have built up support networks that they have used to undermine the authority of governing elites, in a few cases actually overthrowing them. Yet despite their appearance of potency, I will argue that both postmodern and fundamentalist politics fail at what they often set out to do. Seen as being responses and even challenges to globalization, both exist in a curious symbiosis with it, and actually advance more than threaten it. The same will be said of the antisystemic tendencies that have arisen in liberal democracies. They may be lauded as instances of "resistance" and may certainly appear to threaten the hegemony of a decadent establishment, but in fact they have proved ineffective as a response. If anything, they have solidified the dominant role of the globalizing elites whose neoliberal policies have been responsible for the creation of these antisystemic tendencies.

Yet if no coherent alternative to the neoliberal regime has yet been produced, that does not mean the crisis does not exist. It merely means it festers quietly, and sometimes not so quietly. The practitioners of revolution, like Lenin and Gramsci, knew that a revolutionary situation could persist indefinitely. Systems do not merely collapse. They are pushed over the edge. Thus, revolutionary situations and revolutions are not one and the same. We are living through a revolutionary age, if by revolution we use the understanding given to us from the philosophy of science, specifically Thomas Kuhn's concept of the paradigm.[20] In other words, this book is not anticipating a new sweep of radical social revolutions, even though revolution is one possible response to a crisis; rather, it is anticipating paradigmatic shifts, although an interim period of crisis management can last for years, even decades. When a paradigm falls, Kuhn argued, a period of intense intellectual ferment follows, until a new paradigm manages to consolidate its hold over the community of scholars. Equally, when a regime falls, a period of intense political ferment follows, until a new one manages to win the assent of the political community in which it operates. We have arguably descended into the stage of collapse, but there is no reason to expect the situation to resolve itself of its own accord. Instead, moments of crisis will multiply and grow more intense, but each will be susceptible to management and temporary resolution. Arguably, most of the world's governments, and certainly the major economic powers of the Western world, have been managing crises without resolving them ever since the Asian crisis first broke in 1997. This is tantamount to saying that medical technology can stave off death in a critically ill patient for an almost indefinite amount of time; all the same, the resultant quality of the patient's life will bring such techniques of crisis management into question.

Arguably, the crisis that has been most acutely felt in the First World, though in this case it originated in the Third World, was the sharp end to the boom of the 1990s in the United States and the resultant plunge in global stock markets that began in 2000. Most analysts and economists have studied this development within the context of changes largely confined to the U.S. economy. However, as we shall see, the crisis had its origin far away, in the barrios and ghettos of the global political economy. Once again, this crisis proved resistant to the traditional policy interventions by national monetary authorities. Many pointed to the brevity and mildness of the U.S. recession of 2001 to make the point that the economy never really got off track, but the subsequent slowdown and resumed slide in equity markets worldwide showed just how complex the challenges had in fact become. The rules of the game have changed, and the solution—at least a solution that is to prove anything more than temporary—will have to take this new global reality into account.

Where this solution will come from and what shape it will take remain unclear. Marx, himself a dedicated theorist of crisis, maintained that the way we view the world is so bound up with our material conditions of existence that it is impossible to predict how the future will look, since all we can see is the present reality. Only in the midst of a revolution, when the force of events lifts the scales from our eyes, can we begin to see the unfolding shape of the new order. But if we are in such a moment of rapid change, it is time to begin trying to transcend the limitations of the present and see what a future regime might look like.

Outline of the Book

Chapter 2 operationalizes the concept of the regime, focusing on the aspects of material accumulation and distribution. It also looks at the dominant regimes of the post–World War II period—the Keynesian welfare state, the developmentalist state, and communism. Chapter 3 broadens the discussion by bringing in the important role of culture. I argue that each regime has produced its own distinct culture, while regime stability corresponds to cultural stability. In Chapter 4, I argue that the regimes of the postwar period have all been eclipsed over the past generation by a new type of regime, neoliberalism. The "neoliberal age," I will suggest, began on 11 September 1973, when a military coup overthrew Salvador Allende, the Chilean president. Over the next twenty years, the neoliberal wave spread across the world, carrying its own peculiar culture to far corners of the globe and washing up finally on the shores of communist states after the Berlin Wall fell in 1989. In the process, the world experienced one of the biggest economic booms in history; the flip side of this boom, though, was a widening pattern of income distribution, both within and across societies.

Chapter 5 takes up the practical manifestations of this widening gap between rich and poor, focusing on the trends discussed above—the retreat from democracy, postmodern politics, and fundamentalist politics. None of these outcomes, however, herald any kind of resolution to the regime crisis of neoliberalism. This crisis, in the meantime, has heightened and spread, and in Chapter 6 I will show that it reached a head with the crash of the New York stock market that began in 2000 and ushered in the beginning of a long global economic downturn. Chapter 7 points the way forward. I argue that just as the theoretical interpretation of these events requires a more globalized approach—a transcending of analytical categories and approaches that evolved largely during the era of the nation-state—so too will the practical and policy responses to the crisis of neoliberalism have to be global rather than national.

Notes

1. *Analects,* quoted in Kung-chuan Hsiao, *A History of Chinese Political Thought,* vol. 1 (Princeton: Princeton University Press, 1979).
2. See James C. Davies, "Towards a Theory of Revolution," *American Sociological Review* 27 (1962): 5–18; Samuel Huntington, *Political Order in Changing Societies* (New Haven: Yale University Press, 1968). More recently, Huntington returned to this theme of cognitive dissonance in his work on democratization, *The Third Wave* (Norman: University of Oklahoma Press, 1991), pp. 69–72.
3. Ted Robert Gurr, *Why Men Rebel* (Princeton: Princeton University Press, 1970).
4. W. G. Runciman, *Relative Deprivation and Social Justice* (Berkeley: University of California Press, 1966).
5. Alexis de Tocqueville, *The Ancien Regime and the French Revolution* (New York: Garden City, 1955), p. 167.
6. Gurr, *Why Men Rebel,* p. 13.
7. See, for example, James C. Scott, *The Moral Economy of the Peasant* (New Haven: Yale University Press, 1976); and Goran Hyden, *Beyond Ujamaa in Tanzania* (London: Heinemann, 1980).
8. See, for example, Samuel Popkin, *The Rational Peasant* (Berkeley: University of California Press, 1979).
9. Edward N. Muller and Mitchell A. Seligson, "Inequality and Insurgency," *American Political Science Review* 81, no. 2 (1987): 425–450.
10. John Walton and David Seddon, *Free Markets and Food Riots: The Politics of Global Adjustment* (Oxford: Blackwell, 1994).
11. Anthony Harriott, *Police and Crime Control in Jamaica* (Kingston: University of the West Indies Press, 2000), p. 4.
12. See, for example, Cyril I. Obi, *Structural Adjustment, Oil, and Popular Struggles: The Deepening Crisis of State Legitimacy in Nigeria,* Monograph Series no. 1/97 (Dakar: Codesria, 1997); Alison Brysk and Carol Wise, "Liberalization and Ethnic Conflict in Latin America," *Studies in*

Comparative International Development 32, no. 2 (1997): 76–104; Mitchell A. Seligson and John T. Passé-Smith, eds., *Development and Underdevelopment: The Political Economy of Global Inequality,* 2nd ed. (Boulder: Lynne Rienner, 1998), pt. 2; and Neil Harvey, *The Chiapas Rebellion: The Struggle for Land and Democracy* (Durham, N.C.: Duke University Press, 1998).

13. See John Rapley, *Understanding Development* (Boulder: Lynne Rienner, 1996), pp. 119–121.

14. See, for example, Friedrich Hayek, *The Constitution of Liberty* (London: Routledge, 1960).

15. President Bill Clinton's last treasury secretary once wrote an influential paper arguing that most of U.S. investment was accounted for by intergenerational transfers among the super-rich, suggesting that redistributive policies might eat into the savings rate. See Laurence J. Kotlikoff and Lawrence H. Summers, "The Role of Intergenerational Transfers in Aggregate Capital Formation," *Journal of Political Economy* 89 (1981): 706–732. President Clinton's own tax policies tended to continue the trend of favoring the wealthy, while his fiscal policies cut spending on the poor, as in welfare reform. Jeff Madrick in the *New York Times,* 7 June 2001, p. C2.

16. See, in particular, Torsten Persson and Guido Tabellini, "Is Inequality Harmful for Growth?" *American Economic Review* 84 (1994): 600–621. Compare Jeffery M. Paige, *Agrarian Revolution* (New York: Free Press, 1975).

17. See Richard Easterlin, *Growth Triumphant: The Twenty-First Century in Historical Perspective* (Ann Arbor: University of Michigan Press, 1996), chap. 10.

18. This is the case, for example, with Walton and Seddon, *Free Markets and Food Riots.*

19. This theory therefore bears a close resemblance to that put forward by James O'Connor in *The Fiscal Crisis of the State* (New York: St. Martin's Press, 1973), but differs in two important details. First, O'Connor's theory operates strictly within the confines of nation-states, whereas my theory put forth here applies to all political systems and is also displaced to the global level. Second, O'Connor's theory presumes an inevitable crisis caused by the clash between the competing objectives of accumulation and legitimation; my theory put forth here makes no such presumption. Equally, my theory put forth here also shows resemblance to that of the French regulationist school of political economy. However, regulation theory deals only with welfare states. Moreover, regulation theory describes the operations of a particular type of accumulation regime—Fordism—and analyzes the role consumption plays in that regime, rather than treating distribution for its political as well as economic functions.

20. Thomas S. Kuhn, *The Structure of Scientific Revolutions* (Chicago: University of Chicago Press, 1970).

Ordering Information

Examination Copies
For books marked with a ♞, examination copies are available for $7.50. *Shipping is included in the price of exam copies.*

Please limit your request to three books, submit the order on department letterhead, and include the name and number of the course, its anticipated enrollment, when it will be offered, and the book you are currently using.

Desk Copies
We provide desk copies on request to faculty who have adopted an LRP title as a *required* text in a course, providing the bookstore orders 10 or more copies from LRP. Please include the instructor's name and course enrollment in the request.

Wholesale and Retail Returns
Books may be returned for full credit within 12 months of invoice date if they are in clean, saleable condition and a copy of the invoice or the invoice number is included with the return.

All returns must be shipped to our warehouse:
Lynne Rienner Publishers, Inc.
c/o Books International
22883 Quicksilver Drive
Dulles, VA 20166

Questions
Please contact the LRP Customer Service Department at cservice@rienner.com or at (303) 444-6684 with questions or concerns about your order.

Prices subject to change without notice. Please allow three weeks for delivery of books in stock.

To place an order in Europe

Please send orders to:
Lynne Rienner Publishers
3 Henrietta Street • Covent Garden
London WC2E 8LU • UK

Freephone (UK residents only): **0800-526-830**
Call: **(44) 207-240-0856**
Fax: **(44) 207-379-0609**
E-mail: **orders@edspubs.co.uk**

Payments must be in £s sterling and checks made payable to **EDS Publications Ltd.** Visa, Mastercard and American Express are also accepted. Due to currency fluctuations £ prices are subject to change without notice.

Please add shipping as follows:

	One Book	Each Add'l Book
UK	£2.00	£1.00
Europe	£4.00	£1.00

For information on academic inspection copies, contact Imogen Adams at the LRP London address above.

Speed your order:
Call: **(303) 444-6684**
Fax: **(303) 444-0824**
Visit: **www.rienner.com**

LYNNE RIENNER PUBLISHERS
1800 30th Street, Suite 314 • Boulder, CO 80301-1026 • U.S.A.

Order Form

1.

Ship to *(please print legibly)*:
Name: ____________________
Address: ____________________
____
____
City/State/Zip Code: ____________________
(Please include your 4-digit zip code extension.)
Country: ____________ Telephone: ____________
Fax: ____________ E-mail: ____________

2.

Method of Payment *(orders from individuals must be prepaid)*:

❑ Check enclosed (*U.S. $, drawn on a U.S. bank, payable to Lynne Rienner Publishers*)

❑ Charge my credit card: ❑ VISA ❑ MasterCard

Card No. ____________________ Exp. ________

Signature ____________________

❑ Purchase Order enclosed (*please attach to this order form*)

3.

I wish to order the following items:

ISBN (last 6 digits)	*Qty*	*Author & Title*	*Price Each*	*Total Price*

Subtotal ________
Colorado residents add 3% sales tax
Shipping ________
TOTAL ________

Postage Rate Chart

	One Book	Each Add'l Book
U.S., Canada, and Mexico	$3.75	$1.00
Europe: see box at left.		
All Other Areas:		
❑ **Surface —**	$5.00	$2.00
❑ **Airmail —**	$12.00	$5.00

Remember, postage is included in the price of exam copies

web - I

7/02