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Global Governance, Class, Hegemony:
A historical materialist perspective

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Abstract
Global governance is an oft-used concept the meaning of which is seldom clear. This paper start from a critique of the normative bias in much of the contemporary literature on global governance, which, it argues, obscures the class character of governance practices in a capitalist economy. After presenting a brief outline, in five foundational propositions, of an historical materialist approach to the phenomenon of global governance, the paper continues to historicize the phenomenon by analyzing both the historical continuities as well as the discontinuities that characterize global governance in the global economy. Next, the contemporary, i.e. early 21st century, variety of global governance is identified as neo-liberal global governance, that is to say as a form of governing the global political economy that is particularly suitable to furthering the underlying dynamic of the global economy in this era. This dynamic is identified as deepening commodification and the pervasive penetration of the private profit motive in all spheres of human existence. The evolving mode of regulating international business taxation serves as an empirical illustration of the historical meandering of the boundary between public and private governance at the global level. Finally, the paper situates its findings in the context of a broader theorization of neo-liberal global governance.

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1. Introduction

Global governance has become a buzzword since the early 1990s (the publication of Rosenau and Czempiel 1992 was a watershed event). This is not the place to consider in detail the genesis of the concept or survey all the various meanings that the concept has acquired (for a good overview, see Behrens 2002). There are enduring definitional problems with both elements of the concept, i.e. with the meaning of *globality* and with the meaning of *governance*. Both are diffuse and elusive notions that defy precise definition exactly because they have been developed to capture diffuse and elusive phenomena. So, for the moment we should be satisfied with a loose approximation, where *global* roughly means 'of planetary dimension', 'world-wide', 'globe-spanning' (or at least the potentiality of those qualities), and *governance* has connotations with 'regulation', 'co-ordination', and 'authoritative allocation of values' (all possibly encompassing 'government' without however being limited to it).

The prototypical statement of the normative position is of course the definition of global governance given by the Commission on Global Governance:

> "The sum of the many ways individuals and institutions, public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests may be accommodated and co-operative action may be taken" (Commission on Global Governance, 1995, 2).

There are at least three key problems with this type of definition. First, it has a strong normative bias: it eliminates any possible connotation of domination and force. 'Governance' becomes a consensual process of accommodation between parties whose highest purpose is to reconcile possible conflict co-operatively. Secondly, this definition implies an actor-oriented approach. Such a disaggregating line of reasoning easily succumbs to the pitfalls of *pluralism*, i.e. of taking the plurality of actors, interests and partial structures (or 'spheres of authority', e.g. Rosenau 2002) as being the essence of things, and as being essentially undetermined, unbiased, 'neutral', rather than seeing this plurality as set in a wider hierarchical configuration of social power. Thirdly, it is a-historical in that it abstracts from the concrete historical conjuncture in which the concept has emerged. It thus implies that 'global governance' is of all times. However, concepts only acquire their full meaning and complexity if the abstract contours, which may be true for all time, are colored in with the specificities of the historical epoch to which they are applied.[1]

An abstract analytical definition of global governance might be arrived at by first looking at the two component words of the concept, namely 'governance' and 'global'. An abstract definition of '*governance*' may refer to, or incorporate, the following shorthand definitions found in some of the key sources in the literature: 'order plus intentionality' (Rosenau 1992, 5), or 'organizing collective action' (Prakash and Hart 1999, 2), or 'interactions in which public as well as private actors participate (Kooiman 2003, 4), or 'authoritative allocation of resources and exercise of control and co-ordination' (Rhodes 1996, 652). An abstract definition of 'global' would have to refer to the specific quality of the phenomenon under consideration, which is (potentially at least) 'of planetary dimension', 'world-wide' or 'globe-spanning'. Putting these two together we might tentatively define 'global governance' as follows:

> *Global governance refers to the authoritative allocation (by a variety of means) of values in policy areas that potentially affect the world as a whole and its component parts.*

However analytical such a definition is, it does not resolve the third problem: it is still a-historical. In this paper, the aim is to outline a historically specific understanding of 'global governance'. Such an approach ought to address the three issues mentioned above: it must be an analytical approach rather than a primarily normative one; it must avoid the pitfalls of pluralism, and it must be grounded in a historical understanding. In this paper, these objectives are met, or at least that is the contention here, by situating the approach in the tradition of transnational historical materialism.[2] Although it is not possible to outline in detail the foundations of this approach in the context of this paper, it is necessary to outline briefly five key elements of this approach. Without these elements being explicitly highlighted at the outset our argument would lose its coherence.

The first point to make, picking up on the issue of making our concepts historically specific, is to stress the importance of the Marxian method of abstraction as outlined in the *Grundrisse*. In Marx' own words, "... even the most abstract categories, despite their validity – precisely because of their abstractness – for all epochs, are nevertheless, in the specific character of this abstraction, themselves likewise a product of historic relations, and possess their full validity only for and within these relations" (Marx 1973, 105). Thus, analytical concepts need to carefully separate abstract and invariant properties from historically specific ones. Concretely, the concept of 'global governance', even if it became fashionable only in the 1990s, refers in an abstract sense to forms of regulation of social and economic interactions that we can also discern in earlier epochs. To understand why it is that the concept gained currency in the 1990s, and to understand how the concrete forms of global governance of the current epoch are related to those earlier ones, the method of abstraction is uniquely useful. Without it, we will not be able to come to terms conceptually with the sequence of episodes[3] that emerges from the consideration of these historical similarities and differences.

If we accept that the historical process produces breaks and transformations, we need a theory of social change. In historical materialism, this theory is grounded in the concept of *dialectics*. Fundamentally, this theory sees social reality as a dynamic totality and as a unity of opposites. Social development occurs through the unfolding of the contradictions that are in fact inherent in the social structures in question, and are not due to "exogenous factors". In the words of Lucien Sève, "when the attempt to grasp the essence of things leads us invariably to contradiction, it is because contradiction is the essence of things" (Sève 1975, 676 [my translation, HO]);

From this dialectical perspective Marx equated the history of mankind - and this *dictum* has come to live a life of its own - as the history of class struggle. This statement can give rise (and has done so) to intense debate. Here, what needs to be highlighted is the specific meaning of the concept of social class. From the standpoint of historical materialism, any analysis of the world we live in must be grounded in an understanding of the way in which human beings have organized the production and reproduction of their material life. This in fact is what Marx understood by 'social': the totality of all activity undertaken by human beings towards the (re-)production of their existence.[4] The centrality of *class* can be established on the basis of this understanding. Class should thus not be seen as a narrow and exclusive concept that relegates the "non-economic" to insignificance. On the contrary, class is a broad and inclusive concept that refers to the situation of human beings in the social relationships through which they structure the production and reproduction of their existence, and by which in turn they are constituted *as social beings*. These social relations of (re-) production are hierarchical and exploitative. They are furthermore guaranteed by the state: in the era of the dominance of *capitalist social relations*, they are guaranteed by the capitalist state. Although 'class' as an organizing concept is a broad and inclusive one, it does nevertheless enable us to escape the weaknesses of pluralism by relating 'politics' to the underlying social power structures.

When next we consider the translation of 'class' into politics, the adoption of Gramsci in transnational historical materialism is of crucial importance. In developed and complex capitalist societies, the political power of the ruling class does not rest exclusively or primarily on the control of the coercive apparatus of the state, but is diffused and situated in the myriad of institutions and relationships in civil society. This form of class rule, hegemony, is based on consent, backed up only in the last instance by state coercion. Ideological and moral elements play a crucial role in cementing the historic bloc[5] and its hegemony in wider society (Gramsci 1971, 161, 168). Organic intellectuals of the dominant social groups formulate and disseminate these intellectual and moral ideas, transforming them into 'universal' ones that bind subordinate groups into the existing social order (e.g. Gramsci 1971, 181-2). The concept of hegemony thus defined is of key importance in discussions of 'global governance', since hegemony refers to exactly the same apparent plurality of 'sites of governance' that is recognized in much of the global governance literature but explicitly links this plurality to an underlying class-based exploitative hierarchy.

The final element of transnational historical materialism that is crucial to an understanding of the phenomenon of contemporary global governance is its emphasis on the transnational character of the capitalist system. What is meant here by *transnational*? Transnational processes, this paper maintains[6], are *constituted in a social space transcending national borders* [i.e. their dynamics are not fundamentally defined by the existence of national boundaries; in the words of Samuel Huntington (1991) they take place "in relative disregard of national borders"] and take place *simultaneously* in subnational, national *and* international arenas. The 'national' thus ceases to be the primary constitutive dimension of social relations: an overarching and increasingly dominant globe-spanning network of social relations encapsulates local, national, inter-national, and regional structures, dynamics and realities. In this sense, the traditional divide between 'domestic' and 'international' politics is less and less helpful in the analysis of contemporary politics.

In the remainder of this paper, we will attempt to offer some building blocks for a historical materialist analysis of global governance. By way of empirical example, we will refer to the evolving ways in which the issue of business taxation has been dealt with at the global level, because this issue presents a perfect illustration of the dynamics and determining factors we wish to highlight.
First (section 2) the paper presents a brief historical overview of the development of modes of global governance in the capitalist world economy. In section 3 the paper then turns to a theoretization of the contemporary mode of *neo-liberal* global governance, while finally in section 4 the paper attempts to draw out some more general theoretical implications of the analysis of neo-liberal governance.

2. Historical modes of global governance

Global governance, we might say in a shorthand definition, is governance in the age of globalization. Globalization has been defined in thousand and one ways, mostly highlighting one or the other epiphenomenal aspect. However, at a more abstract level, 'globalization' is about *commodification*, i.e. the process of transforming objects and activities into products and services that are sold on a market, thus into commodities The decades since the late 1970s have shown a sudden and unprecedented process of deepening commodification, expressed in:

- the quantitative growth of existing forms of commodification (e.g. the growth of international trade and finance);
- the expansion of the market into previously non-market sectors in the capitalist economies (e.g. privatization of state firms);
- the incorporation of new politico-geographic regions into the capitalist world market and its networks of commodified interaction (the demise of the planned socialist economies);
- The subordination to market forces of areas of human activity and existence that were hitherto not commodified in any real sense of the word at all (human reproduction, intellectual property, traditional medicine etc.).

After decades of privatization and marketization, very few spheres of life on this planet remain shielded from the pursuit of private profit. Ultimately, this process is driven by capital's ceaseless search for profit: its search for cheap sources of circulating capital and labor, for new markets, for differential profit rates, for an escape from the internal contradictions of the capital – wage labor relation.

Commodification is not new to the world. In the past five hundred years we can identify three episodes of intensified market expansion and deepening commodification, namely the episode of the original creation of the world market which we will call the period of *mercantile globalization* (1492 – 1648); the expansion of industrial capital and the rise of imperialism in the second half of the nineteenth century which we might call the era of *laissez-faire globalization* (1840s-1914); and finally the present episode of *neo-liberal globalization* characterized by the global expansion of transnational capital (1980s – present).[7] The best way to look at these episodes is as distinct periods characterized by intensified change in an historical process of much longer duration, namely the process of capitalist development that has engulfed the globe since the fifteenth century. Each of these waves of globalization has produced its own form of (liberal) 'global governance' (e.g. Murphy 1994).

A starting point guiding our further analysis of these instances of global governance is the distinction between various fractions of capital and the particular hegemonic projects associated with such fractions. In volume 2 of *Capital* Marx considers the different functional forms that capital assumes in the circuits composing the overall reproductive circuit of capital: commodity capital, money capital, and productive capital. In terms of concrete firms, merchant houses, financial firms, and industry approximate these fractions.[8] Underlying this fractionation is the even more fundamental distinction between fixed capital and circulating capital (loosely identifiable with productive capital and money capital respectively) (cf. Shortall 1986). In turn, this process of fractionation of capital shapes class fractions which share common orientations, interest definitions, and collective experiences. These provide ingredients for a coalition of interests aspiring to represent the 'general interest' of a class, supported by a broader social hegemony incorporating subordinate classes and social forces. In modern politics in capitalist societies, private and fractional interests tend to coagulate around

> '(….) largely implicit, but no less definite, common programs, or *comprehensive concepts of control*. Such concepts are political formulas that lend cohesion and cogency to the rule of particular classes and fractions of classes by translating idealized class and fractional viewpoints into a strategic orientation for society as a whole. Their capacity to be presented as a necessary and/or legitimate expression of the general interest derives from their basis in pivotal positions in the economy, which at particular junctures in the process of capital accumulation and social development acquire a relevance beyond this mere "function".' (Van der Pijl 1989, 7-8)

These concepts of control are constituted around two prototypes, the money capital concept and the productive capital concept (reflecting the distinction between fixed and circulating capital). Usually those groups assert themselves most effectively whose specific group interests at a given juncture most closely correspond with the prevailing objective state of capital accumulation and class struggle (van der Pijl 1984, 33-4).

We must now see how the changing balance of forces between fractions of capital, the related succession of correspondingly dominant comprehensive concepts of control, and the scale of operation of these various fractions of capital (in other words, the spatial coordinates of their specific reproductive cycles) interact to define the main characteristics of global capitalism in specific historical episodes. While money capital, abstractly as total capital, concretely as 'high finance', has operated on a cosmopolitan plane ever since the Middle Ages, production under its influence has operated on an only gradually widening scale. When the typical, or 'paradigmatic', scale of operation of industry coincided with the national state in the most important countries, a historically unique situation developed. Internationally operating money capital was subordinated to nationally operating productive capital, a development that reached its zenith in the 1930s and was only phased out slowly over the period 1945-1975.

[See diagram 1 for a schematic representation of the paradigmatic scales of operation of money and productive capital].

Prior to this stage of the mobilization of the 'principle of social protection' in the context of the national state, industry operated on a subnational scale. Its output was marketed on a world market dominated by British industry, commerce and transport to such an extent that notions of universal free trade and harmony developed in Britain were also embraced in countries whose capacity to compete was undermined by unmitigated exposure. The era of the Pax Britannica spawned a comprehensive concept of control expressing and idealizing this state of affairs. Normalcy and the 'general interest' were predominantly defined therefore in terms of an abstract and cosmopolitan money capital perspective. The hegemonic concept of this era was *liberal internationalism.*

Diagram 1. **Paradigmatic Scales of Operation of Capital and Hegemonic Concepts of Control in Modern Capitalism**

	paradigmatic scale of operation#		*hegemonic*
	money capital	*productive capital*	*concept*
1820s-70s	cosmopolitan*	local	liberal internationalism
1870s-1914	cosmopolitan*	national	
1920s	cosmopolitan	national*	state monopolism
& 30s	national	national*	
1950s	national	Atlantic*	corporate liberalism
60s&70s	cosmopolitan	Atlantic*	
1980s & 1990s	cosmopolitan*	global & regional	neo-liberalism

* The asterixes mark the prevailing perspective (money or productive) in the hegemonic concept of control.

\# Although both 'cosmopolitan' and 'global' indicate that the paradigmatic scale of operation encompasses the whole world, the difference is that money capital can disengage itself almost completely from any form of nation-state control, whereas productive capital, however globally operative, is always, at any particular moment in time, bound to specific physical/ geographical locations, and therefore subject to state control.

Source: Overbeek & Van der Pijl 1993, p. 7.

To illustrate the emerging mode of liberal global governance in this era, let us consider briefly the emergence of the transnational regulation of business taxation. During the late 19th and early 20th centuries states were confronted for the first time with the impact of increased capital mobility on their tax systems. On the one hand, states began to introduce various schemes of direct taxation to finance their growing expenditures, while on the other hand capital internationalized rapidly (finance in particular, but productive capital as well). This brought to the fore the problem of *double taxation*, i.e. the same income being taxed by the country of residence as well as by the host country (where the income was being generated). Business pressure, through the International Chamber of Commerce in Paris, put the issue on the agenda of the Fiscal Committee of the League of Nations. In the early 1920s the Fiscal Committee commissioned a report, funded by the Rockefeller Foundation, to propose action (Picciotto 1991, 54-55). The report considered two alternative ways of approaching the problem, *formula apportionment* and the *arm's length principle*.

Formula apportionment entails the shared taxation of the total profits of a corporation, with a formula stipulating the respective shares for home and host (or capital exporting and capital importing) countries' governments. This approach was rejected in the report because it posed too many politically sensitive issues and would require a multilateral international agreement. The arm's length principle, which was the report's preferred solution, means that the activities by subsidiaries of corporations are considered essentially as separate businesses to be taxed by the host government. This principle thus requires negotiations between corporate officials and host government bureaucrats, which in many cases reinforces the already skewed balance of forces between weak governments and strong global corporations. The arm's length principle would eventually become the basis for the post-World War II international corporate taxation regime (Picciotto 1991, 55).

In the period from the First World War to the 1950s the productive capital perspective (Polanyi's principle of social protection, see Polanyi 1957) was dominant at the national level; in this era, the hegemonic concept of control was that of *state monopolism*. Money capital was still principally engaged in international operations, but the crisis of the 1930s led to its curtailment by state authorities. Given the near collapse of the global economy, it is no surprise that the proposals of the Fiscal Committee of the League of Nations for the regulation of international business taxation were put on hold during this period. Regulation was primarily undertaken at the national level, in any case much more so than either before (1930) or after (1945).

Gradually, and definitely following the Second World War, (US) industry expanded on an Atlantic plane, albeit in a highly regulated setting. A welfare state concept, the highest form of Polanyi's principle of social protection constructed around the productive capital viewpoint, combined aspects of expanding production with a measure of re-liberalization in the international sphere. Liberalization however was mostly restricted to trade in industrial products. Trade in agricultural products, and more importantly in services, as well as financial flows, were and remained heavily regulated and restricted. In theoretical terms, we may conclude that during this episode the hegemony of the productive capital view was overwhelming and subordinated the money capital perspective. The comprehensive concept defining the new normalcy and general interest at this stage was *corporate liberalism*. The new system of international business taxation accompanying corporate liberalism was eventually initiated with the wartime tax treaty concluded between the United States and the United Kingdom. This became the model after which a rapidly expanding network of bilateral taxation treaties was erected, primarily between and among the US, the UK, the English-speaking Commonwealth countries, and the major West European states. The co-ordination of this system, based on intergovernmental bilateralism mixed with the informal involvement of corporate lobby groups, was eventually entrusted not to a United Nations organ, but to the Fiscal Committee of the OECD (Braithwaite & Drahos 2000, 96-97). The structure of this system in many ways resembles and complements the structures of the Lockean heartland created in the second part of the nineteenth century in the form of the old Commonwealth and its symbiosis with the United States (cf. Van der Pijl 1989, 1998). The new system functioned without great difficulties in the era of 'embedded liberalism' (Ruggie 1998, 62-84) as corporate liberalism has also become known..

In the crisis of the 1970s, finally, a struggle ensued which resulted in the triumph of *neo-liberalism*. Neo-liberalism reaches back to the abstract and cosmopolitan money capital perspective so prominent in liberal internationalism, but industry has meanwhile outgrown its national confines. The paradigmatic scale of operation of industrial capital today is global, at least in tendency. At the same time we witness a relative disintegration of the national framework into multiple local and regional frameworks. We now turn to a closer look at the emergence of this latest mode of global governance.

3. Neo-liberal global governance

In this section, we turn to an analysis of the conditions under which the global governance concept has risen to such ubiquitous popularity, and which social forces have 'hijacked' the notion and defined its politicized (neo-liberal) meaning. First we will take a brief look at the rise of neo-liberalism to hegemony in the 1970s and 1980s, if not globally then at least within the developed capitalist parts of the world, i.e. roughly speaking in the OECD world. Second, in order to ground our understanding of neo-liberal global governance a bit more theoretically, we look at some of the relevant concepts proposed by Robert Cox and Stephen Gill. Finally, we will again illustrate the main points through a brief exposé on the development of the global regime for business taxation in this period.

To trace the emergence of neo-liberalism and the latest globalization wave, we must go back to the 1970s (see also Overbeek and van der Pijl 1993 on this). With the crises in the 1970s of Fordism and the Keynesian welfare state as the catalysts, and with the rise of new technologies in transport, communication and information as enabling factors, a process of rapid internationalization of financial and productive capital was set in motion. This internationalization drive was pushed forward by successive state-led liberalization and deregulation offensives explicitly aimed at subordinating the global economy as well as the various national economies to the discipline of "the markets". The comprehensive concept of control that emerged as a response to this crisis has become known as *neo-liberalism*. Neo-liberalism elevates identifiable fractional interests to the level of a claimed 'general' interest: it expresses the outlook of *transnational circulating capital*, primarily international money capital but also an increasing proportion of the capital embodied by transnational industrial corporations as these became more and more dominated internally by financial managers rather than production engineers. The key to understanding the 'solution' to the crisis offered by neo-liberalism lies in the role that *money capital* as capital-in-general plays in the restructuring of both the spatial and technical aspects of production and the social relations of production, in order to adjust production to consumption, and restore profitability by raising the rate of exploitation and the mass of surplus value. Capital had to be liberated from all unnecessary constraints on its mobility before this restructuring could be undertaken. This 'general' capitalist interest was reasserted through the adoption of monetarism. Monetarism holds that by making money scarce, inflation can be combated effectively and sound micro-economic reasoning can be forced upon the state and society as a whole. Although unpopular since the 1920s, it had always continued to attract the support of some economists, journalists, and government officials, particularly in the USA and Britain. After 1945, it was propagated by a number of private transnational groups such as the Mont Pèlerin Society (inspired by Friedrich Hayek and Milton Friedman), and as the crisis of the 1970s deepened, its voice grew louder and succeeded in winning over more and more influential bodies. The monetarists scored important victories in Chile (with the rise to prominence of the 'Chicago boys' in 1975) and Britain (with Margaret Thatcher's emergence as the country's leader in 1979). The decisive turning point came when, also in 1979, Paul Volcker was appointed chairman of the US Federal Reserve Board and initiated a strict monetarist regime that drove up real interest rates in the US and the world economy. This rise of monetarism resulted in a rapid shift in the class structure away from the corporate-liberal pattern to an individualist one in which the interests of the rentier and the 'venture capitalist' were predominant. Rentier incomes rose, stock ownership was popularized through privatization, and bank profits increased relative to those of industry. Investment banking and financial services became the hottest industries. In reaction to the tenets of the disintegrating corporate-liberal or Keynesian consensus of the years 1945-1971, neo-liberalism extolled the virtues of the free market and the withdrawal of the state from the management of the economy. Its core concepts and precepts (liberalization, privatization, deregulation and internationalization) as well as its new individualist ethic gradually became hegemonic and eclipsed traditional Social Democracy. The victory of neo-liberalism was even interpreted as the "End of the Social-Democratic Century" (Dahrendorf 1990). This process is not as straightforward as it might seem from this account. In fact, there is a complex and dialectical relationship between neo-liberalism as *process* and neo-liberalism as *project*. Certainly, there is such a thing as a neo-liberal project that is consciously and purposefully pushed by its protagonists (organic intellectuals, entrepreneurs and politicians, organizational representatives etc.). This is where the agency of individuals such as Milton Friedman and organizations such as the Mont Pèlerin Society were crucial during the 1970s and 1980s, and this is where agents such as the *World Economic Forum* and others carried forward the neo-liberal onslaught in the 1990s (cf. van der Pijl 1998). But of course, as critics of this approach will quickly point out, these programmes have never been simply put into practice lock, stock and barrel. A hegemonic project or comprehensive concept of control is shaped, and continuously reshaped, in a process of struggle, compromise and re-adjustment, resulting in "a succession of negotiated settlements, of concessions to the rigidities and dynamics of structures as well as the political possibilities of the moment." (Drainville 1994, 116). Eventually we have seen a form of *consolidation* of neo-liberalism, internationally as well as within the advanced industrial countries. Any notion of an alternative to the global rule of capital became utterly 'unrealistic' and discredited and neo-liberal reforms were 'locked-in' and 'normalized'. The significance of the demise of real socialism in this respect cannot be overstated (Mishra 1999, 111-112): until its definitive discomfiture and disintegration the mere existence of an alternative economic and social system provided an incentive for the capitalist class in the West to accommodate the working class. With the demise of really existing socialism this incentive lost its force, opening up political space for a more radical overhaul of the structures of corporate-liberalism (see also Overbeek 2003).

In terms of theoretically grasping the new structure of the global system and the nature of neo-liberal global governance, a convenient and inspiring reference point is the concept of the 'internationalization of the state' (Cox 1996, 107). In this article Cox analyzed the mechanisms for maintaining hegemony in the era of *Pax Americana* and argued that the internationalization of the state is associated with the expansion of international production. He later defined it as the process through which "the nation state becomes part of a larger and more complex political structure that is the counterpart to international production" (Cox 1987, 253). The process can be expressed in three points:

- A process of interstate consensus formation regarding the needs or requirements of the world economy that takes place within a common ideological framework;
- Participation in this consensus formation is hierarchically structured;
- The internal structures of states are adjusted so that each can best transform the global consensus into national policy and practice, with 'state structure' both referring to the machinery of government and to the historic bloc (the alignment of dominant and acquiescent social groups) on which the state rests. (Cox 1987, 254).

It is, says Cox, "increasingly pertinent to think in terms of a global class structure *alongside or superimposed upon* national class structures" (Cox 1996, 111; emphasis added). At the apex of this emerging global class structure is the "transnational managerial class" situated in the higher echelons of the Trilateral Commission, the World Bank and IMF, and the OECD. The members develop a common framework of thought and guidelines for policies that are disseminated through the process of the internationalization of the state (Cox 1996, 111; see also Sklair 2001 for a recent study). In peripheral areas the financial power exercised by the IMF and the World Bank, which was tremendously intensified after the debt crisis of the 1980s, often serves to impose or restore the discipline of the market where it is lacking or weakening. The collapse of the Soviet Union and the subsequent transformation of the global state system have eliminated many obstacles to the further expansion of markets through the enhanced global reach of transnational capital. The priorities of economic and social policies worldwide have been recast to reflect the new dominance of investors. International institutions (such as OECD, IMF, World Bank and WTO) and groupings of dominant states (G7) are engaged in the legal and political reproduction of this *disciplinary neo-liberalism* and ensure through a variety of regulatory, surveillance and policing mechanisms that neo-liberal reforms are *locked in* (cf. Gill 1995; the disciplinary dimensions of neo-liberal global governance are also central to Duffield's recent study, Duffield 2001). In the core areas of the world economy this discipline appears in the shape of 'voluntary' programs of competitive deregulation and austerity that are codified in such arrangements as the EMU stability pact or the WTO liberalization regime. Stephen Gill refers to the erosion of democratic control implied in this process as *New Constitutionalism*, "... the move towards construction of legal or constitutional devices to remove or insulate substantially the new economic institutions from popular scrutiny or democratic accountability" (Gill 1992, 165).

Again, developments in the area of global business taxation may serve as illustration. In the 1970s the first cracks began to appear in the international fiscal system. The spread of multinational corporations posed increasing problems for national fiscal authorities (cf. Murray 1975). These difficulties were intensified by the growing importance of tax havens. Tax havens in a sense emerged in the 1920s as a consequence of some states, primarily Switzerland, not following in the footsteps of the other industrial countries in joining the emerging international fiscal order (cf. Palan & Abbott 1996, Palan 1998, Picciotto 1999). At that time, 'tax havens' really were anachronistic phenomena. However, after the collapse of the Bretton Woods system in 1971 and the relaxation of capital controls new tax havens and other 'off-shore financial centers' were created, primarily in the Caribbean but in Europe as well (Jersey, Gibraltar, and Luxembourg). As tariffs on imports fell under the impact of successive GATT trade liberalizations, the incentives to compete through taxes increased further (Tanzi 1996). Under these changing conditions being a 'tax haven' became a deliberate strategy for state-like entities and statelets whose survival in the inter-state system is now reproduced and expanded by interested parties and indeed by the state system itself. The logic of international tax competition threatened to destabilize the 'orderly' conduct of transnational business (for instance by facilitating the increasing penetration of the international financial system by organized transnational crime) and would indeed ultimately lead to the complete elimination of corporate taxation. In response, governments in the OECD area agreed that something would have to be done to eradicate the worst abuses and protect the legitimacy of the tax system. Both in the EU and in the OECD this resulted in discussions over a 'voluntary' code of conduct for governments. The OECD published a report on the issue in 1998 (OECD 1998), and held a conference in December 1998 to consider measures to curb 'harmful tax competition' in the form of a voluntary code of conduct (cf. Nettinga 1999, and Weiner and Ault 1998). In its follow-up report (OECD 2000) the OECD made a beginning with identifying 'uncooperative' tax havens and with listing possible countermeasures. In itself, this line of action is not very impressive: voluntary codes of conduct in the regulation of global business are generally characterized by ineffectiveness and mostly serve a legitimating function (van der Pijl 1993). They do illustrate however that neo-liberal de-regulation leads to re-regulation of a specific kind, involving a new mix of public, semi-public and private actors and institutions that are brought together in national, regional and global forums and networks (Picciotto 1999, 64-6; see also Cerny 1991). This system tends to "legitimise the continued existence of the offshore system for avoidance which has not been stigmatised, especially tax. However, tax avoidance depends on facilities such as corporate and banking secrecy, which undermine regulatory cooperation on other matters" (Picciotto 1999, 70). Such policy convergence as does take place within the OECD area comes about primarily through emulation rather than international agreement. It continues to be based on the arm's length principle that ignores the integrated nature of transnational corporations and thus continues to place them in a privileged position vis-à-vis the tax authorities.

4. Some final theoretical considerations

The concept of global governance has acquired its popularity in the years of intensifying globalization since the early 1980s. The previous sections have argued that our understanding of this concept must be historicized and must be made 'class sensitive'. Our shorthand definition of global governance (governance in the age of globalization) must therefore be expanded by reference to a number of historically specific characteristics to make it applicable to an analysis of the *contemporary* wave of globalization.

Governance in the contemporary global political economy is increasingly characterized by *informalization* and *transnationalization* or, put differently, by the creation of additional formal and informal structures of authority and sovereignty besides and beyond the state. Institutions such as the International Monetary Fund and the World Trade Organization have achieved a considerable degree of autonomy from the national governments that nominally control their executives, while more informal organizations such as the G-7 or the World Economic Forum play a crucial role in formulating longer-term strategic policy orientations. What is also striking is the multiplicity of governance sites and modes involving any combination of intergovernmental and trans-governmental regulation, 'public-private' regimes, and forms of private authority and self-regulation.[9] The emergence of these new structures, often combining public and private forces, has led Robert Cox to his famous phrase of a global *nébuleuse* (Cox 1996, 298).

The role of international organizations such as the OECD, the IMF and others in providing direction to this *nébuleuse* is noteworthy. These organizations more frequently than not have no formal regulatory powers, they cannot impose their will on states (not on non-members, but neither on their own member states), and they have few or no sanctioning powers. Nevertheless their influence and prestige are enormous and most governments in the world are willing, albeit reluctantly, to comply with their 'recommendations'. Their primary role often is that of progenitor of ideas, which they successfully spread through bringing together senior civil servants, business executives, and technical specialists in working groups and conferences that give real substance to the concept of epistemic community (Strange 1996, 62). The role of civil servants of international organizations in this context is also striking. For instance, the role of top officials in the IMF's Fiscal Affairs Department (Vito Tanzi, Howard Zee) in the campaign in favor of the establishment of an International Tax Organization to regulate global tax competition and look after the states' fiscal soundness is a case in point. It indeed provides an eloquent illustration of the role that Kees van der Pijl sees the *cadre class* (the social stratum of managers both in the private business world and in public service) playing:

> "The cadres are oriented, by definition, to sustaining social cohesion and the integrity of the social […] substratum exploited by capital. Even if, as in neo-liberalism, the dominant orientation is towards deepening the discipline of capital, the function of providing cohesion cannot be abandoned." (Van der Pijl 1998, 163).

Elsewhere (see Pellerin and Overbeek 2001) we have attempted to clarify in some detail what functions these informal and quasi-formal forums (or 'processes') perform. It would seem that these include at least the following:

- *Communication*: they serve as channels for communication between policy-makers, experts, and interested third parties. This is especially important for those countries (e.g. several of the CIS countries) whose officials have little or no direct contact with their counterparts in the OECD world;
- *Socialization*: they further serve to socialize the officials, experts and policy-makers of peripheral states into the existing global epistemic communities;
- *Institutionalization*: they help to secure the desired (neo-liberal) policy reforms within the (semi-) peripheral states (this process is called *locking in*);
- *Integration*: in the case of the relationship between the OECD and the European Union on the one hand and a number of the Central and East European states on the other, these forums are clearly complementary to the ongoing accession process and prepare the ground for ultimate full membership of the EU and the wider OECD world.

Contemporary global governance is not just process; it is also substance. It is *neo-liberal* global governance. Its 'social purpose' (Ruggie 1998, 62-72) is dictated by the imperatives of capital accumulation on a world scale. This social purpose transpired clearly in the example of the governance of international business taxation. As we have seen, the international system of tax regulation, which emerged in the 1920s and served its purpose relatively well until the 1970s, has in recent decades come under increasing competitive pressures. The existing system heavily privileges mobile (especially financial) capital and allows transnational capital to circumvent or evade taxation practically without sanction. Such regulation as does exist is based on voluntary forms of self-regulation, while no formal international organization exists with regulatory powers to impose a decent tax ethic on capital. The requirements of global freedom of movement for capital dictate the shape and form of global governance in the tax sphere, in which various intergovernmental and international non-governmental organizations play key roles.

In sum: our explorations have shown that neo-liberal global governance in large part functions to make market reforms irreversible through inscribing them into, and anchoring them deeply in, the legal systems of most countries. Global governance constitutionalizes private property rights, guarantees the unhindered mobility of capital, and controls and subordinates potentially rebellious social forces and states. The concept of global governance thus has suffered the same fate of other initially progressive normative concepts such as 'new international economic order' or 'sustainable development': it has been hijacked by social forces that have emptied it of its counter-hegemonic content and redefined it in such a way that the concept in fact supports the further consolidation of the world-wide rule of capital.

Notes

[1] "The principle of historical specificity", wrote C. Wright Mills (commenting on Marx), "leads us to see that conceptions and categories are not eternal, but are relative to the epoch which they concern" (Mills 1977, 39).
[2] A more extended account of transnational historical materialism can be found in Overbeek (2000). See also Gill (1993) and Rupert and Smith (2002). The term was originally coined by Gill and Law (1988).
[3] I try to avoid using terms like 'cycles', 'stages' or 'phases' which are all tainted with connotations leading us into debates that are not pertinent for our present purposes. For an excellent collection of essays precisely on these questions see Albritton et al., 2001.
[4] This is brought out very clearly in *The German Ideology*: "The first presupposition of all human history is of course the existence of living human individuals. [...] [Human beings] begin to distinguish themselves from the animals as soon as they begin to *produce* their means of existence. [...] The creation of life, current life through labor and new life through procreation, immediately reveals itself as a social relation - social in the sense that it implies the collaboration of various people, irrespective of the conditions, the manner and the objective." (Marx and Engels, 1974, 21, 30; my translation, HO).
[5] In Cox's words, 'historic bloc' refers to 'a configuration of social forces upon which state power rests' (Cox 1987, 105; also 6, 409 n. 10).
[6] This interpretation was developed at somewhat greater length in a recent article (see Overbeek 2003).
[7] This periodization is derived from various other periodizations in the literature, such as those by Mandel in his *Late Capitalism* (1975) or by Zürn (1995), which are roughly similar though certainly not the same.
[8] Cf. Van der Pijl 1984, 1-20; ibidem 1998, 49-63; also Overbeek 1990, 23-29, 176-181.
[9] For recent overviews of the role of private authority in global governance see Cutler et al. 1999, Hall and Biersteker 2002, and Higgott et al. 2000.

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