

# Restructuring 'Hegemony' in the Age of Neo-liberal Globalization

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**Neo-liberal Küreselleşme Çağında 'Hegemonya' Yı Yeniden Yapılandırma**

**Özet**

Bu makale Hegemonik İstikrar ve Dünya Sistemi kuramlarının epistemolojik ve ontolojik düzeyde eleştirel bir değerlendirmesini yapmayı ve günümüz dünyasında hegemonyanın yeniden inşasını küreselleşme süreci ile ilişkilendirerek alternatif bir kuramsal rota sunmayı amaçlamaktadır. Bu hedef doğrultusunda, yeni bir hegemonik yapılanma olarak ulusötesi tarihsel bloğun oluşum sürecinde sermayenin, devletin ve toplumsal üretim ilişkilerinin küresel biçimlenişinin oynadığı rolü değerlendirebilmek amacıyla hegemonya meselesinin Gramscici bir ifadelendirmesi sunulacaktır. Bu bakış açısından hareketle en basit anlamıyla hegemonya, uluslararası kurumlar, küreselleşme yanlısı siyasal elitler ve ulusötesi kapitalist sınıflardan müteşekkil ulusötesileşen toplumsal güçler arasında hakim olan bir mutabakat olarak kavramsallaştırılmaktadır. Kısaca ifade etmek gerekirse bu çalışma yeni Gramscici yaklaşıma ve küresel kapitalizm kuramına dayanarak neo-liberal küreselleşme çağında hegemonyanın daha güncel ve analitik olarak daha geçerli bir yorumunu sunmayı hedeflemektedir.

**Anahtar Kelimeler:** Hegemonya, Neo-liberal Küreselleşme, Ulusötesi Tarihsel Blok, Gramsci, Küresel Kapitalizm Kuramı.

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**Abstract**

This article aims to present a critical evaluation of the theory of hegemonic stability and world system theory on an epistemological and an ontological basis and provides an alternative theoretical route by associating the process of globalisation with the reconstruction of hegemony in today's world. In parallel with this objective, a Gramscian derived articulation of hegemony is presented in order to analyze the role of the global configuration of capital, state and social relations of production in the formation process of the transnational historic bloc as a new hegemonic constellation. From this point of view, hegemony, in its simple terms, is conceptualized as a prevailing consensus among transnationalizing social forces consist of classes, international institutions, globally-minded, political elites and transnational capitalist class. Briefly stated, drawing on neo-Gramscian approach and theory of global capitalism, this study aims to provide an up-to-date and analytically valid conceptualization of hegemony in the age of neo-liberal globalization.

**Keywords:** Hegemony, Neo-liberal Globalization, Transnational Historic Bloc, Gramsci, Theory of Global Capitalism.

## 1. Introduction

Two concepts, hegemony and globalization, which occupy an increasingly important place in contemporary academic discourse, have drawn the attention of many scholars from the 1970s onwards. Almost all schools of thought in international relations have engaged in theorizing the changing hegemonic position of the US in the context of the recent transformation of global economy. Despite the proliferating research interest, there is no consensus on what has taken place in social reality in the last several decades. In fact, the ongoing debate in the literature has mainly centred on the creeping doubts about American hegemony associated with the shift of balance of economic power across the globe.

At first, this doubt surfaced during the 1960's and 1970's as a response to the US's defeat in Vietnam. Then, it was progressively brought into question during the 1980's in the context of the relative decline in the US's economic power and the recent transformation of global economy. Particularly, the rise of Western Europe and Japan as the major economic rivals of United States and narrowing productivity gap between them triggered the thesis of hegemonic decline of the US as an unsettled academic matter. Moreover, the increasing inability of the US to maintain the post-war economic order and its unilateral abandonment of the Bretton Woods system also contributes very foundation of these claims. More recently, doubts about the dollar's position as the international reserve currency and economic crisis in the fall of 2008 have also given way to the claims of waning U.S. supremacy. In a similar vein, the emergence of new economic poles like China and India casts doubts on the US's hegemonic position in contemporary world order.

Looking into literature, all these doubts have given birth to many theoretical studies on the systemic and retrospective analysis of the rise and the decline of hegemony in the course of modern history (Arrighi, 1994; Wallerstein, 1984; Keohane, 1984; Gilpin, 1981; Frank, 1998; Cox, 1981; Gill, 1990). In his book titled "War and Change in World Politics" American realist Robert Gilpin (1981) has put forward a general analytical framework which based on the casualistic role of distribution of material capabilities in international system. Mainly drawing on the work of Kenneth Waltz's (1979) "Theory of International Politics", Gilpin argues that the configuration of power relations in a particular international system forms a basis for the rise of a state as a hegemon. By presenting a hierarchical perception of world order and a cyclical vision of history, Gilpin (1981: 211) has claimed that "the nature of international relations has not changed fundamentally over the millennia". For him a well-functioning world order depends on certain political structure dominated by a hegemonic power ensuring an open and stable world economy. In respect to recent debates about the US, Gilpin (1987: 394) notes that the 1980's signified a period of hegemonic transition in which the liberal trade policies and Bretton Woods principles of multilateralism were being disp-

laced, and global debt problems raised serious doubts concerning the stability of global financial system.

In fact, many of Gilpin's considerations were widely held by American politicians in the mid-1980's and elaborated in academic journals under the name of Hege-  
monic Stability Theory (HST hence forth). Another key figure in the development of HST, Robert Keohane (1984) shared the central premise of Gilpin's argument. Yet, he took an ambivalent stance toward the HST by criticizing its overall validity due to the lack of empirical evidence. From liberal institutionalist point of view, Gilpin also emphasizes the importance of domestic political pressure and the role of international institutions in shaping inter-state relations. Despite his ambivalent stance, Keohane's approach to hegemony still remains embedded in the realist paradigm in the sense that he accepts the structure as fixed and predicated on at least a minimal state of anarchy.

The doubts about American hegemony have also had a broad repercussion in "radical" or leftist literature. In his article, "The Three Instances of Hegemony in the History of the Capitalist World-Economy", Wallerstein (1984) conceptualizes hegemon as a dominant nation-state within the core of capitalist world system which conducts the operation of the inter-state relations by imposing rules and enforcements based on its economic and military capabilities. For Wallerstein, (1974: 15) the modern world system is a historical social structure which is "larger than any juridically defined political unit" and "the basic linkage between its parts is economic". In modern world system, the role of states is designated by their places within the hierarchy of nations on the basis of their level of economic development. This hierarchical and state-centric conception of world system approach to some extent corresponds to the realist perception. Like Gilpin and Keohane, Wallerstein asserts that American global power has been fading since the 1970's due to the decline in its comparative advantages in the fields of production, commerce and finance. Yet, unlike them, he leaned his views on structural crisis of capitalism stemming from inevitable constraints on capital accumulation process due to the combination of long term rises in real wage levels, costs of material inputs of production and levels of taxation (Wallerstein, 2000). The world system approach was more elegantly expressed in Arrighi's (1994) book, *The Long Twentieth Century*. Based on the historical observation of the transmission of cutting-edge patterns of productions from one hegemon to another, Arrighi puts emphasis on the probability of the hegemonic rise of China-centred East Asia as a new hub of capital accumulation.

With the intention of moving beyond the state-centricism and economic determinism which is deeply rooted in mainstream approaches Robert Cox (1983) applied Gramscian insights and concepts to the matter of hegemony in international level. Unlike conventional approaches which reduce hegemony to a single dimension of

dominance on material basis, Cox (1983: 171) conceptualizes hegemony as an outward expansion of domestically constructed hegemony of leading social classes to the international level by achieving a normative and material dominance over others. On that sense, hegemony is conceptualized as a form of international dominance relies not only on material resources and institutions, but also on the consent of social forces in the acceptance of norms, values and operative rules of a particular world order. Therefore, hegemony, in Coxian sense, implies an "opinion-moulding activity rather than just brute force or dominance" (Bieler and Morton, 2004: 87).

To a great extent, neo-Gramscian approach has moved beyond the state-bounded and structuralist analysis of hegemony, commonly held by the theory of hegemonic stability and world system theory. It provides an up-to-date theory of the hegemony by taking globalization seriously as a set of intersubjective and agential processes which have transformed social relations of production at the global level. In contrast to the ahistorical and abstract conceptualization of the state and international system, neo-Gramscian perspective has developed a dialectical theory of history in which institutions and power relations are not taken for granted, but questioned whether they might be in the process of formation (Cox, 1981: 129). However, despite its path-guiding and updated theoretical orientation neo-Gramscian response to the matter of declining US hegemony still remains in the state-centric framework of analysis in some aspects. Although some prominent neo-Gramscians (Augelli and Murphy, 1988; Gill and Law, 1989; Gill, 1990, 2003) have pointed out the vague symptoms of the emergence of transnational historic bloc as a new hegemonic constellation, they remain sceptic and suspicious of the formation of transnational historic bloc in global civil society free from national framework of analysis. Thus, the matter of hegemony in mainstream neo-gramscian perspective still remains in the framework of inter-state system and lacks of a purely Gramscian insight required for class-based analysis of hegemony.

Keeping all these limitations in mind, this article critically evaluates the theory of hegemonic stability and world system theory on an epistemological and an ontological basis and present an alternative route by linking the process of globalisation to the emergence of transnational historic bloc as a new hegemonic constellation in global civil society. Building on this perspective, hegemony is conceptualized as a prevailing consensus among social forces consists of institutions, intellectuals, political elites and transnational capitalist classes. In such an outlook to hegemony, neo-liberalism is analysed as a hegemonic project of the emerging transnational historic bloc, led by a transnational capitalist classes. Unlike the state-bounded conceptions, this work expunges state centrism from the matter of hegemony by arguing that transnational social forces and transnational state structures have played an increasingly important role in the consolidation of transnational historic bloc around neo-liberal orthodoxy. Thus, a purely Gramscian

understanding of hegemony is articulated by mainly drawing on the theory of global capitalism (Robinson 2002, 2004, 2005, 2008).

## **2. Limitations of Structural Approaches**

"The Sociological theorist who is exclusively committed to the exploration of a total system with its utmost abstractions runs the risk that, as with modern decor, the furniture of his mind will be bare and uncomfortable" (Metron, 1967: 51).

Two theories, theory of hegemonic stability and world system theory, have strongly influenced the contemporary academic discourse about the problematization of US hegemonic decline since the late 1970s. Both provide structural explanations of how states and a hegemon act according to their predetermined roles in inter-state system based on their respective power capabilities which can be measured in empirical terms. Due to their commitment to structural, ahistorical and state-centric analysis of international system these two theories seem inadequate to understand the historical specificity of globalization in the emergence of a new hegemonic constellation among transnational social forces on a global scale. Despite their common commitment to structural analysis, these two theories differ in number of dimensions, so a practical way to set forth the limitations of each of these approaches is to take them into separate sub-sections

### **2.1. The Limitations of Hegemonic Stability Theory**

The Hegemonic Stability Theory (HST) was initially set forth by Charles Kindleberger (1973) in his book "The World in Depression, 1929-1939" to analyse the causes of the international economic disorder in the Great Depression of the early 1930s. Broadly speaking, Kindleberger (1973: 28) argued that a conscious or an unconscious preponderance of a state is necessary for the well-functioning of the international economic and monetary system in which prevailing state "sets the standards of conduct for other countries and takes on an undue share of burdens of the system". The existence of such a hegemonic power ensures the efficient operation of the international liberal economy, acting as a stabilizer and a "lender of last resort" in times of international financial crises. In accordance with this argument, hegemonic stability theorists assert that due to the decline in its economic power Britain could not fulfil its hegemonic role by effectively responding to the socio/economic crises of the early 1930s and could not sustain the stability of international monetary order. Therefore, after the economic turbulence of inter-war period the hegemonic role of Britain was carried out by the United States as a dominant economic power. However, with the oil crisis of 1970's and the debt crisis of 1980's US-led international monetary system has also engaged in a structural transformation in which hegemonic position of the US is believed to be waning due to its incapability to stabilize the international economic crisis of 1970's and 1980's. This argument was acknowledged and reformulated both by

realist (Gilpin, 1981) and liberal (Keohane, 1984) school of thoughts under the theoretical umbrella of HST as a widely adopted epistemological framework. Despite the different hypothesizes they put forward, both school of thoughts tend to compromise on the general principles and premises of the theory. In this respect, an all-embracing critique of hegemonic stability theory can be put forward as follows.

First, HST has a reductionist conception of power and hegemony which is predominantly based on material means so that it fails to take account of the changes in the normative dimension of power such as ideas, discourses, norms and ideologies. HST conceptualizes hegemony in terms of the preponderance of a state in interstate system based on its economic and military capabilities, so the concept of hegemony is closely related to the distribution of behavioural forms of power on international scale. Therefore, the central explanatory variable of hegemony is a Weberian notion of power over, match or domination (Gill, 1990). However, hegemonic relations, both in domestic and international level, are not only the products of material means but also constructed in an ideological and cultural sense. The legitimization of hegemony in the eyes of civil society by institutional and discursive means is also an inseparable part of establishing dominance over others. For this reason HST overrates the role of material capabilities and oversimplifies the place of ideology, institutions and discursive practices in the formation of hegemony.

Second, HST presents a state-centric analysis of international system in which states are the principal actors acting as pre-conditioned, self-interested, rational units. For Gilpin (1981: 202), states as rational actors, make their own assessments based on cost-benefit analysis when they are attempting to change or maintain the existing hegemonic system. Therefore, the western history of interstate system is like a continuous cycle of hegemonic rise and decline of states making their of assessment as self-interested, rational units. In this sense, the international system is conceptualized as a static and state centric structure which has for the most part remained the same since the inception of modern western history (Gilpin, 1981: 211). On the other hand, neo-liberal institutionalists seek to rearticulate HST by moving beyond the state-centric understanding of the theory. Keohane (1984: 135) has criticized the deterministic view of the rise and fall of hegemonic states according to the shifting power configuration in international system and emphasized the role of economic interdependence and international institutions for the stable operation of international liberal economy. However, Keohane's approach to hegemony still remains embedded in the realist paradigm due to his commitment to state-centrism in the final analysis (1984: 193-94). In contrast to the static and state-centric conception in the HST, neither the international system nor states are pre-constituted social structures which are immune from historical change and transformative role of social agents. Rather they are

historically constituted structures which are in an ongoing process of formation in relation of the reconfiguration of social forces and the mode of social relations of production. On that sense, HST fails to assess how the nation-state system has undergone a profound restructuring process in wake of the rise of neo-liberal globalization over the last 30 years and so.

Lastly, HST is firmly lodged with a tenacious structural conception of international system in which rational actions of state are pre-determined by the structure of system simply arose from the distribution of material capabilities among states. In fact, such a conception of international system, as Wendt (1987) argues, seems ontologically reductionist. Because, the system is perceived as a pre-given or pre-constituted structure imposing an external constraints on the so-called rational actions of states. However, a particular international system is not totally free from actions of social agents such as states, institutional actors and human agent as well. Thus, the actions of states cannot be constrained by the system structures as it is strongly asserted in neorealist version of HST. More clearly, HST perceives the international system from an individualist point of view by reducing the system structures to the distribution of capabilities of pre-existing states and so it sees the state ontologically primitive (Wendt, 1987). Therefore, the conceptualization of system structures in HST is inherently inadequate to develop a social theory of state which can analyse both the generative structure of international system and the domestic dynamics in transforming the state as a particular kind of agents (Wendt, 1987: 343).

## **2.2. The Limitations of World System Theory**

Like the HST, world system approach defines hegemony in terms of the preponderance of a state in inter-state system according to the unequal economic relations in the hierarchical modern world-system. In this regard, Wallerstein (1984: 38-39) argues that the ongoing rivalry between great powers is so unbalance that one power emerge as *primus inter pares* which can impose its set of rules and policy objectives in the economic, political, military, diplomatic and even cultural areas. The concept of power underlies such a concept of hegemony is also the behavioural forms of power, especially economic capabilities, which can be measured with an empirical methodology. In this sense, World system approach to hegemony roughly corresponds to HST in general terms, because it conceptualizes hegemony as a dominance of prevailing state in hierarchical configuration of inter-state system based on its effective operation in three major areas of economy: agro-industrial production, commerce and finance. Moreover, World system approach to hegemony also corresponds to HST in respect to its structuralist and state-centric conceptualization of international system. However they differ in number of dimensions especially in ontological views and substantive claims. While HST,

as stated above, embrace an individualist ontology, world system theory embodies holistic one.

In general terms, world system theory considers *capitalist world economy* as a single international system determining the place of states in the hierarchy of nations (Gill, 2004: 8). The capitalist world economy is believed to be composed of three main categories of states according to the level of economic development: Core, semi periphery and periphery. The primary characteristic of the capitalist world economy is that the relation between core and periphery states is determined by the unequal trade relations and the primacy of Exchange relations (Wallerstein, 1974: 85). The core of capitalist world economy established a dominant position over peripheral states by unequal trade relations based on its supremacy in manufacturing with the use of technology and skilled labour. The peripheral zones became a source for the core states to export their surplus and manufactured goods in exchange for cheap raw materials. From this point of view, the unequal and uneven economic relations of the hierarchical modern world-system is an on-going systemic pattern which has been going on since the emergence of capitalism. This pattern in world system has created the recurrent cycles of the rise and decline of great powers seeking a hegemonic position to maintain their national and imperial interests, namely "the United Provinces in the mid-seventeenth, the United Kingdom in the mid-nineteenth, and the United States in the mid-twentieth centuries" (Wallerstein, 1984: 105).

Building on this perspective, Wallerstein (2000) analyses the recent transformation in world economy and the hegemonic position of the US's in the light of the main secular trends of the capitalist world system which imposes structural constraints on capital accumulation. For him, the main secular trend of capitalist system is the rise in real wages, cost of production inputs and the level of taxation over time in a given geographical/sectoral locality. Due to these structural constraints on capital accumulation by the main secular trends, capitalist world economy needs to reproduce itself through expanding geographically. Hence, , the capitalist world economy, since its beginning, has been expanding outward "by absorbing peripheral states and economies and establishing market and production networks that it brought all peoples around the world into a single worldwide structure" (Wallerstein, 2000: 262). In the last several decades, this process has been accompanied by internationalization of production, the emergence of new economic powers, growing financialization of capital and the loss of legitimacy of current international system. In this period, American hegemony has been fading due to the decline in its comparative advantages and economic edge in the fields of production, commerce and finance and with the transition of capital accumulation and cutting-edge production pattern from US-led transatlantic circuit to the East Asia so that China-centred East Asia has risen as a new economic pole of ac-

cumulation and potential global hegemon in the long run (Arrighi and Silver, 1999; Frank, 1998).

The further criticism of this argument and the world system theory can be put forward in two main aspects. First, due to the holistic ontology in analysis, world system theory gives an ontological priority to the capitalist world system over states. As Wendt (1987: 346) has pointed out "the world system theory reifies the social structure" and thus fails to analyse the role of social agents. More clearly, in world system approach, the static and everlasting principles of the capitalist world economy is analytically independent and ontologically prior to social agents such as states, civil societies or international organizations. From this perspective both states and social forces are taken as passive units or a "bearer of on-going systemic imperatives" (Wendt, 1987: 340). In fact, this limitation in the world system theory is intrinsically rooted in its determinist inclination which gives an excessive primacy to economic factors over normative, political ones in the formation of social relations and the course of history as well.

Moreover, this theoretical pitfall is closely associated with our second criticism regarding to the underlying limitedness of the world system approach in theorizing international system. World system approach embraces a monolithic historical methodology in theorizing modern world system by selectively taking historical materials and incidents into account according to their relevance to its model of inter-state system which is constructed *a priori* (Tilly, 1984). In this regard, the historical methodology of world system theory presents a limited and lawful view of history which overlooks the specificities of historical processes, because historical incidents and data are selectively chosen with respect to their relevance to the theory (Tilly, 1984: 62). In this sense, the modern world system can be regarded as a theoretical construction of history which views international system as a static and lawful process, driven by the secular trends of capitalism and underlying economic determinants. Therefore, world system approach presents an abstract and state-centric framework in which the causality relation between the succession of hegemonies in international system and the determinative role of capitalist world economy is viewed in a lawful and static manner. Thus, like HST, world system approach is firmly lodged with structuralist, cyclical systemic and state-bounded conception of international system which lies behind the dismissive analysis of globalization as a historically-specific and an agential process.

### **3. The Problem of Hegemony Redefined: Neo-Gramscian Approach to Hegemony**

Unlike structuralist approaches which reduce hegemony to the preponderance of a state in inter-state system, neo-Gramscian perspective broadens the domain of hegemony by viewing it as a broadly based consent among social forces at inter-

national level. (Bieler and Morton, 2004: 86). As Robert Cox (1993: 52) has argued, hegemony cannot be merely understood as an order among states but, more importantly, as a historically constructed social, economic and political structure which "is expressed in universal norms, institutions and mechanisms which lay down general rules of behaviour for states and for those forces of civil society that act across national boundaries." In such an outlook to the matter, the conception of hegemony, in a sense, moves from the state-centric understanding of the dominance of a powerful state to a consensual order among international social forces. Hence, the main focus of interest turns to how hegemonic social order is based on shared beliefs and commonsense, so the role of inter-subjective meanings –shared notions about social relations- in shaping the reality becomes more of an issue in the conception of hegemonic relations. On that sense, neo-Gramscian route to hegemony differs from HST and World System theory by acknowledging the social reality as not only a physical environment of human action but as a mixture of institutional, normative and ideological context which shapes actions and thoughts (Cox, 1997: 252).

In fact, hegemony, in a purer Gramscian sense, is viewed through the explanatory lens of the class relations, primarily engendered by the social relations of production. Therefore, the social relation of production which includes material, institutional and discursive forms constitutes a starting point for the analysis of hegemonic relations. As Cox (1989: 39) has noted the social relations of production cannot be reduced to merely material and economic means. Beside the production of physical goods, it also encompasses the production and reproduction of norms, institutions and knowledge which plays a constitutive role in the formation of a particular configuration of social forces. As basically formulated, a material and normative change in the production relations leads to a new configuration of social forces and forms of states which eventually forms a basis for a particular hegemonic constellation.

When a particular configurations of social forces upon which state power rests is engendered by the social relations of production, a leading social class establish its hegemony over subordinates ones by constituting what Gramsci called *the historic bloc*. To put it simply, the historic bloc refers to "an alliance of different class forces politically organized around a set of hegemonic ideas that gave strategic direction and coherence to its constituent elements" (Gill, 2003: 58). In this sense, the historic bloc should not be simply viewed as an alliance between social forces. Rather, it refers to the integration of different class interests "bringing about not only a unison of economic and political aims, but also intellectual and moral unity on a universal plane" (Gramsci, 1971: 181-182). Hence, construction of a historic bloc, in a sense, implies the process through which a leading class within a society presents its own interests and ideology as a common sense for the others.

Once hegemony of a domestic historic bloc is constructed within a particular society it tends to move outward on an international level by connecting social forces across different countries (Cox, 1983: 171). Therefore, world hegemony, in its beginnings, is the outward expansion of an internal (national) hegemony and a particular mode of social relations of production as well. Thus, hegemony operates at both domestic and international level by constructing an historical bloc and establishing social cohesion within a form of state as well as by expanding a mode of production internationally and projecting hegemony through the level of world order (Bieler and Morton, 2004: 93).

Building on this perspective, the US-led post-war hegemonic world order, labelled *pax Americana*, can be regarded as an outward expansion of domestically formed historic bloc and the prevailing mode of social relations of production in the US as well. To be more precise, the underlying social relations of production at that time was US-based Fordist accumulation regime which is essentially characterised by growth-oriented policies of mass production and mass consumption and the subordination of labour force through Taylorist scientific management (Gill, 1990: 49). Moreover, the embedded liberalism, which ensures both the international free trade and the government intervention in national economy, was the commonly accepted economic policy of that time (Ruggie, 1982). In parallel to this, Keynesian welfare state centred on mix economy, state interventionism and full employment policy was the corresponding form of state which provides the safeguard against market forces and the protection for the working class (Gill and Law, 1988: 79-80). The US-led international system which is based on all these principles was institutionally maintained through the Bretton Woods system of fixed exchange rates and international organizations such as IMF and World Bank. However, in the early 1970's the US-led international system has engaged in a phase of far-reaching transition, marked by a number of structural transformations and shifts in world economy.

### **3.1. The Emergence of Transnational Historic Bloc in the Age of Globalization**

"If the crisis is deep—'organic'—these efforts cannot be merely defensive. They will be *formative*: aiming at a new balance of forces, the emergence of new elements, the attempt to put together a new 'historic bloc', new political configurations and 'philosophies', a profound restructuring of the state and the ideological discourses. These new elements do not 'emerge': they have to be constructed. Political and ideological work is required to disarticulate old formations, and to rework their elements into new ones" (Hall, 1983: 23).

The post-war US-led hegemonic world order and the key characteristics of international historic bloc, namely a mix economy based upon Fordist accumulation

regime, Keynesianism and embedded liberalism, began to running into trouble after the collapse of the Bretton Woods system and the crises of the 1970's and the 1980's. In the wake of these crisis, the world economy and social forces within various forms of states engaged in a structural change which is generally labelled as globalization in the form of transnationalization of production, capital and state. There are several reasons that can be attributed to the crisis of embedded liberalism and the following structural transformation of world economy. First of all, one of the outstanding reasons is that Fordist accumulation regime and Keynesian economic policies entered into a crisis of capital accumulation after the high rates of growth in the post-war era. As Harvey (2004b: 239) has argued crises are endemic to the capital accumulation process so that the economic downturn of the early 1970's was not immune from crisis-driven nature of capitalism. To understand the crisisdriven feature of capitalism it is important to begin with the nature of capital accumulation. To put it simply, the surplus value which is created during production process is at first a money form of capital and then with the transformation of money formed of capital into the productive form of capital, cycle of capital accumulation is completed. Through this simple route of surplus value, capitalist accumulation operates in an expansionary character with the endless metamorphosis of different forms of capital.

However, when capital accumulation confronts with constrains related to labour, market, resource and technology, it cannot find an outlet to further its accumulation, and thus an overaccumulation comes into existence. In general terms, the primary motive behind the overaccumulation is what Harvey called "structured coherence". For him (2000: 228-29) structured coherence implies a combinations of factors such as the Technologies/forms of production, the consumption patterns and the physical/social infrastructures through which the cycle of capital accumulation can operate with a profitable and secure configuration of time and space. However, due to the constrains on labour, market, resource and technology, a given structured coherence is no longer absorb surpluses of capital and labour so that the operation of the cycle of capital accumulation is no longer sustainable . To cope with this crisis of over-accumulation Capitalists rather let the redistribution of wealth in favour of labour and the devaluation of accumulated capital or externalize the surpluses of capital geographically into previously non-capitalist regions. The latter solution -spatial expansion of capital- to problem of over-accumulation brings us to Harvey's seminal framework called 'spatial-temporal fix'. For Harvey (2004a: 2) the overaccumulation within a given territorial system can be absorbed by two ways: "a temporal displacement through investments in long term capital projects and social expenditures or/and a spatial displacement through opening up new markets, production capacities and new resources elsewhere". In its spatial sense, the crisis of over-accumulation leads to the reconfiguration of landscapes of world through the expansion of capitalist

relation to the places where social relations of production is in a subaltern position and capitalist relations are not so predominant in comparison to the functioning core of world capitalism.

In fact, the crisis of over-accumulation and the subsequent geographical expansion of surplus capital is the main dimension of what has been actually occurring in world economy since the 1970`s. With this process the world economy has engaged in a structural transformation by turning the landscape of the world into a globally integrated market and production domain. By this way the production process has remarkably transnationalized as national circuits of accumulations have been broken down and integrated into a global circuit capital accumulation (Robinson, 2004a). This epochal change is marked by fundamental shifts in world economy. For instance, a truly mobile transnational capital divorced from national accumulation circuits has dismantled national economies and forced them to reorganize themselves as a constitutive part of an emerging global production and financial system. In fact, there are still national accumulation circuits and nationally-based capitalist classes in world economy but national-based capital is no longer being capable to compete with transnationally mobile counterpart and so transnational capital became the hegemonic fraction of capital on a global scale. This process has repercussions on the nature of class relations within and above states. The transnationalization of production and capital has transformed the classical understanding of national-state centred conception of class relations and paved the way for the formation of transnational capitalist class (TCC) which is basically characterized by the increasingly transnational ownership of capital and the cross-border strategic alliances. Moreover, since the 1970`s the transnationally oriented social forces became active actors in states apparatus and push states to integrate into transnational networks of global capitalist structure. The emergent TCC began to pursue its interest through this transnational network of national states and super- and international institutions which appears as a form of transnational state (TNS) apparatus. In fact, this process did not bring the end of national state but led to the emergence of transnational state which become more vulnerable and open to the impact and pressure of transnational capital and transnationally oriented social forces. (Robinson capital crisis)

All these fundamental shifts in world economy after the crisis of the 1970`s and the 1980`s has altered the form and function of world hegemony, because the social context upon which *international Historic Bloc* based has altered along with changes in social relations of production (Robinson, 2004a, 2005). Therefore, it can be argued that the transnationalization of classes and the emergence of global civil society made inroads into transnationalization of hegemony. If we rethink this process in the light of Gramsci`s original notion of hegemony as a form of social domination by a historic bloc led by a leading social class, it can be argued that a transnational historic bloc led by a TCC has emerged as a new hegemonic

constellation in the age of globalization. Particularly, the transnationalization of production and capital in the last several decades has triggered the process of transnational class formation and a new class fraction between nationally and transnationally oriented classes (Robinson, 2004b). This process brings about the formation of globally-oriented social forces which are not bound to a particular state or a specific geography, but have a transnational 'identity' and a shared consciousness which constitutes the normative conditions for the formation of transnational historic bloc.

The emerging transnational historic bloc primarily consists of productive social forces and transnational capital itself, but it also includes various economic and political forces whose interests and ideas are deeply committed to the progressive liberalization and integration of global economic system. In this respect, the owners and key executives of transnational corporations and private financial institutions and other capitalists around the world can be viewed at the zenith of an emerging transnational historic bloc (Gill, 1990). Moreover, the executives of central banks, leading political figures, high officials and civil servants in advanced capitalist countries and some in peripheral capitalist countries can be also regarded as constitutive parts of transnational bloc. The emerging historic bloc also comprises bureaucrats and technicians in the agencies of transnational state structures; such as the IMF, the World Bank and other transnational forums, and a set of charismatic public figures, political leaders and organic intellectuals (e.g., academics, opinion leaders, intellectual elites) who ensure the formation and persistence of the bloc by providing ideological legitimacy and technical solutions to the problems of neo-liberal orthodoxy.

In fact, the necessary condition for the construction of such a hegemony is closely associated with the presentation of neo-liberal economic policies and the narrow interests of the leading classes as a rational set of ideas. From a Gramscian point of view, this is achieved by creating a common sense through a combination of ideological legitimation and social compromises with subordinate social forces. However, the implementation of neo-liberal policies as a hegemonic project of *transnational bloc* is conflict ridden and triggers contradictions and social struggles, particularly in developing world where minority of elites benefits from neo-liberalization and transnationalizations of national markets (Ruckert, 2007). Therefore, to ensure the consent of subordinate groups is sometimes conditioned to the use of indirect form of coerce by international financial institutions and leading capitalist states which makes the hegemony of transnational historic bloc a matter of debate in Neo-Gramscian literature. More importantly, such a transnationally oriented hegemony is also an incomplete project which is "contested and constructed on the shaky basis of a disjuncture between the development of transnational class and social forces" (Robinson, 2005: 11). However transnational state (TNS) structures, leading capitalist state and organic intellectuals play an

increasingly important role in building hegemony based on neo-liberal practices, particularly in peripheral capitalist countries (Ruckert, 2007).

### **3.2. Consolidation of Hegemony: From Keynesianism to Neo-liberalism**

The ascent of neo-liberalism as a hegemonic project in the last several decades was not only triggered by the economic factors such as accumulation crisis, structural constraints on capital and changes in mode of production, but neo-liberalism was also institutionalized as a dominant economic policy by the active role of social forces and human agents as well. During the time when embedded liberalism and Keynesian forms of state were dominating the functioning core of capitalist system, neo-liberal ideas were in a marginalized position, being circulated within a small circuit of academics, corporate executives and political leaders (Plehwe, 1993: 269-270). As an economic doctrine, these ideas were developed based on the market-driven approach of neoclassical theory by a small circle of academics in the Chicago School and Austrian School of economics who would later become the 'organic intellectuals' providing an ideological legitimization for the production and reproduction of the hegemony of transnational historic bloc. Prominent neoliberals like Frederick van Hayek (1944) and Milton Friedman (1962) developed an intellectual critique against the welfare state and embedded liberalism in their works by arguing in favour of the efficiency of free-market and minimal state intervention. Along with the academics, business classes and political elites also contributed the early discourse of neoliberalism by taking part in the Mont Pelerin Society which provided a further intellectual foundation for neoliberalism orthodoxy. The critiques and marginalized ideas of neoliberal intellectuals were later commonly held by political elites and business circles who were looking for an outlet for the crisis of the 1970's and the 1980's.

The US under Reagan administration was the first country which set out to disintegrate Keynesian economic structure to consolidate neo-liberalism as the hegemonic project of transnational historic bloc through transformation of its state structure. During the presidential campaign Reagan administration presented six task forces advocated by neoliberal intellectuals such as Alan Greenspan, George Shultz, and Milton Friedman in order to replace the regulationist welfare state with free market ideas (Hodgson, 1996: 212). After the election the policies in the task force came into effect in the form of new economic measures such as cutting federal spending, restructuring the tax system, deregulating finance, and reducing inflation with a stable money supply (Blyth, 2002: 173). As Harvey stresses (2005: 52) these economic policies, known as Reaganomics, were put into practice in favour of the interest of business sector by implementing pro-capitalist economic policies in almost every aspects of social life. In fact, the Reaganomics did not only replace Keynesianism with free market economy, supply-side macroeconomic policies such as lowering income tax and capital gain tax, reducing economic regu-

lations and social spending, but also indicated "a new perspective of common sense in world order" (Ashford, 1993: 43). A range of countries in Europe such as United Kingdom, Sweden, Denmark, and even France have also moved into this direction by adopting economic policies based on market-driven principles such as deregulation of economy, privatization of national resources and social services, deunionization in workplace and liberalization of markets. Thus, neo-liberalism penetrated into state structures through the will and actions social forces and human agents in different forms and became an orthodox economic policy and prevailing ideology among political elites, intellectuals and business sector in the developed world since the mid-1970's.

Whereas neo-liberal policies have been willingly adopted as a common sense in countries such as the US, Britain and Sweden, they have been directly imposed on the developing world under the auspices of international financial institutions mainly through the structural adjustment policies (SAPs). When Keynesian derived policies were popular, particularly in the north as a "synonym to notions of economic wisdom, pragmatism and common sense" (Valdes, 1995: 59), development projects and the policy of import substitution industrialization (ISI) were implemented in the developing world, particularly in Latin America. As Robinson (2008: 51) has argued the import substitution industrialization was an economic regime based on a "regional-specific variant of Fordist-Keynesian national capitalism which focused on nationally oriented accumulation". This economic regime primarily centered on policies such as subsidizing key industries, protecting national markets from international market forces, substantial state investments in infrastructure and unionization which altogether strengthened nationally-based accumulation, the social solidarity and nationalism as well. Thus, despite criticisms focused on economic protectionism and inefficiency of state planning, these state-regulated economies had some level of economic autonomy which enabled a relatively successful industrial growth rate in Latin America at 6.9 per cent between 1950 to the mid-1970s with an increase in manufacturing as a percentage to GDP from 19 percent to 24 percent (Weaver, 2000: 129).

However, the maintenance of industrial growth in Latin America depended on the importation of factors such as technology, energy, equipment and raw material. The nationally-oriented accumulation under import substitution industrialization was hindered by the saturation of international markets that eventually led developing countries to take loans from international financial intuitions (IFIs), which initiated the perpetual debt trap (Robinson, 2008: 53). To give an example Mexico's foreign debt rose from \$6.8 billion in 1972 to \$58 billion by 1982 so that it did not have other option rather than seeking an international financial support (Harvey, 2005: 99). In this sense the 1982 Mexican debt crisis was the first symbolic example in which the World Bank lent loans to bail out Mexico under the condition of structural adjustment policies. These policies were fundamentally based on

market-oriented reforms such as budget austerity, privatization, lowering tariffs, liberalization of investment and the creation of flexible labour markets (Harvey, 2005: .99). In fact, the impregnation of neo-liberal policies in Mexico through the SAPs marked a beginning of a paradigm shift not only for Latin America but also for the rest of developing world. With the transition from the Fordist-Keynesian accumulation regime to a market-driven economic policy, the economy policy and well-being of people in the developing is gradually left at the mercy of market forces and IFIs. As a result of this shift, economies of two-thirds of African countries and three-fourths of Latin American countries came under the supervision of IMF and World Bank by the end of 1980`s (Peet, 2003: 75).

However, SAPs failed to solve the debt problem of the developing world and could not generate sustainable economic growth in practice. For instance, in Latin America debt rose from \$50 billion in 1974 to more than \$417 billion in 1987 (Robinson, 2008: 260) and then to \$761 billion in 2004 (ECLAC, 2006). Moreover, in comparison with the highest economic growth rate at an average of 6.1 percent between the years 1965 and 1980, the average growth rate of Latin America in the 1980`s was at 1.6 percent at its lowest point which then dropped to zero in 1990 and rose again to 4.5 percent between 1991 and 1994 (World Development Indicators, 2009). In fact, as it was noted by Robinson (2008: 261), the repayment of growing debt by the developing world has served as a mechanism to further the market-driven SAPs for the interest of IFIs and transnational capital. In this regard, the IFIs as key actors of this mechanism have played a significant role in consolidating "hegemony around inclusive neoliberal practices by ideologically legitimizing the norms of the world order, co-opting elites from peripheral states and absorbing counter-hegemonic ideas" (Ruckert, 2007). Thus, since the mid 1970`s neoliberal project of the transnational bloc have become an orthodox economic policy and a prevailing ideology both in the developed and the developing world either through the opinion-moulding activities and government policies or through the use of indirect form of coercion by the IFIs.

#### **4. Conclusion**

The main purpose of this article has been to present an alternative view of hegemony by linking the process of globalization with the construction of transnational historic bloc, led by transnational capital. As highlighted earlier, international system and the nation state are not ontologically free from social forces which emerges from a particular mode of social relations of production, but historically bound phenomena which are in an ongoing process of transformation. In this regard, the recent changes in world economy and the restructuring of state structures with the onset of globalization has opened a new era in which transnational capital has acquired a structurally powerful position in global economy which has brought the liberation of TNC from the constrains of national-states. Along with these

changes, states and national economies have come under the growing influence of emerging transnational social forces and institutions driven by hegemonic discourse of neo-liberalism.

Roughly speaking, with the crisis of Fordism-Keynesianism as a dominant accumulation regime and development model of the US-led post-war era, world capitalist system has engaged in a new configuration of social relations of production and capital-labour relations on a global scale which has eventually shifted the balance of class power in favour of transnational capitalist classes. All these shifts in world economy has fundamentally altered the form and the function of hegemony which cannot be comprehended from the viewpoint of HST and World System theory due to their common commitment to structural, ahistorical and state-centric analysis of international system. Since the mid-1970`s, a growing network of globally-oriented social forces whose interests are bounded with the progressive liberalization national economies and the further integration of global markets has formed a transnational historic bloc, including transnational corporations, private financial institutions, executives of central banks, leading political figures, high officials, bureaucrats, intellectuals and the technicians in the agencies of transnational state structures; such as the IMF, the World Bank and other transnational forums. The conception of hegemony through the formation of historic bloc is closely associated with the impregnation and consolidation of neo-liberalism as a common sense and a prevailing economic policy around the world.

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