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A Comment on “Globalization and Neoliberalism,” by David Kotz

George DeMartino

In this paper, David Kotz confronts an extraordinarily difficult challenge. He seeks to provide a Marxian account of why a policy regime of a particular sort emerged at a particular historical conjuncture. Just why, he asks, did state-directed capitalism of the postwar sort lose its footing by the 1970s? How and why was this regime so easily displaced by another, global neoliberalism, that promises far less in the way of economic growth and prosperity than the one it replaced? His answer is deeply materialist: he describes a process in which intensified competition associated with globalization altered the interests of ‘big business’, inducing it to shed its embrace of state regulation in favor of a (renewed) commitment to neoliberalism. Facing new, global competitive pressures, the largest U.S. firms found that they needed to be liberated from the regulatory burdens associated with the state-directed capitalism that had served them so well for the better part of the century.

This thesis is intuitively appealing. Periods of intense competition imperil the viability of firms, and they typically respond by seeking to reduce costs by all available means. Firms in this kind of environment cannot afford to tolerate extensive government regulations, even though state action of this sort serves capital’s long-term interests. But as the processes of concentration and centralization of capital proceed to the point at which a handful of oligopolistic firms dominate each market, the need for market stability (in resource supply and product demand) draw these firms toward some sort of state-led economic regulation. David argues that a transition of this sort occurred in the United States during the Progressive Era, the result
of which was an extended period of state activism that promoted extensive business regulation and corporate taxation. Regulation also supported a labor movement powerful enough to ensure that productivity gains were shared with America’s workers. This arrangement came under assault only as the pressures of global economic integration renewed interfirm rivalry, now internationally, with the effect of breaking up oligopolistic market arrangements. Suddenly big firms were small again. In the heat of the new competitive battles, they could no longer tolerate the state-capitalist arrangements under which they had prospered through much of the twentieth century. Their economic interests led them to abandon the activist state, and to become the leading advocates of a return to neoliberalism.

My guess is that most heterodox economists are asked from time to time about the kind of transformation in U.S. politics and policy regime that David explores here. For my part, I often resort to the kind of explanation that David has rendered so nicely in this paper: changing (intra- and inter-) class forces brought on by changes in the economic landscape (technological advance, the altered stance of important third world countries on the matter of foreign direct investment, perhaps the result of the debt crisis and World Bank directives, competitive pressures, etc., etc.) have altered the interests of important economic and political actors, resulting in a change in strategy and influence. And I certainly think that this kind of analysis gets us partway home. Like David’s arguments here, this materialist explanation is plausible, and it accords with a good bit of evidence (of the sort David has marshaled in this paper). And that is far more than can be said of much social scientific explanation these days!

But how far does this kind of explanation get us, really? All explanations are partial, of course, and so it is hardly interesting to claim that this account leaves things out. The question always is, just what has been left out, and how would its inclusion alter the main threads of the argument that has been advanced? And what are not just the theoretical but also the political consequences of the narrative’s silences? In what follows I will say something about what I think is missing here, and why these absences matter.

When we speak of shifts in policy regimes, such as the one David describes here, we must speak of politics, of course. And to do that we must concern ourselves not just with the distribution of power among groups in society but also with their interests as both we and they might define them. So we are also talking about their consciousness, or the world-views that inform their own judgments about their interests. Making matters more interesting (or worse, depending on your perspective), we have to move beyond static conceptions of all these to consider just how and why they change over time because the goal of the exercise, we should remember, is to explain regime shifts. I think it is safe to say that the complexity of this challenge boggles the mind, and so particularly economists but other social scientists as well tend to resort to the strategy that David has pursued here. We try to derive changes in political behavior and policy outcomes from changes in economic determinants. This requires that we root the political positions that groups take in their economic interests, treating the latter as more or less transparent to themselves, and to us.
But here is a problem: interests (economic or otherwise) are never transparent in this way. Instead, they are the produced result of interpretive work, which is dependent on prior theoretical commitments, but also on prevailing sentiments and norms, and so forth. Economic agents necessarily draw upon elements of this ideological/intellectual milieu as they make sense of the world about them, making all sorts of adjustments along the way. But this means that to explain the political changes associated with a regime shift we might need also to explain changes in this ideological/intellectual milieu, or at least, rearticulations of its internally contradictory elements. After all, there is no compelling reason to think that this milieu remains constant over time—how could it possibly? Now the economist in us might want to derive these ideational changes from changes in economic interests, but that would be a bit circular, no?

What if, alternatively, we work inductively? We say, “Look, let’s see what economic agents were saying and doing in one historical conjuncture, and then again in another, and infer their changed interests from their changed behavior? Surely this will tell us something about how they see their changed interests, regardless of the source of those changes.” There is some of this in David’s paper as well (e.g., increased corporate funding for think tanks advocating neoliberalism, suggesting changes in their economic interests), and so there should be. But this approach, too, is laden with consequential difficulties. Consider just one: an agent’s behavior depends not just on how it defines its interests, but on what is permissible (even thinkable) in a particular ideological/intellectual milieu. And that depends in part on the norms that have achieved standing in the relevant community(ies) in which the agent operates. Of course, there are always competing norms—normative conflict is the rule, not the exception—and this implies that at any moment agents will have some range of possible norms upon which to draw. But the range hardly lacks limits, and this means that all sorts of behaviors that an agent might otherwise happily endorse might be ruled out of court (with such force that the behavior is not even contemplated in a particular conjuncture). But then, for some reason, the normative terrain changes, and suddenly strategies that had been off the radar screen entirely emerge as not just viable but actually desirable. As a consequence, the agent changes its behavior. Can we infer that changing interests are at play here? Not really, unless we are willing to conflate the categories of interests and norms that ought truly to be kept distinct. Or unless we are willing to deduce changing norms from changing economic interests, in which case we are back to step one (we might just as easily deduce changing interests from changing norms). In short, there is no one-to-one mapping of behaviors with interests, which suggests we have to be rather cautious about deriving analytical results from this inductivist approach.

Now I don’t want to be read as suggesting that we should substitute some idealist method for David’s materialism, and treat what I am calling the ideological/intellectual milieu as a free-floating independent variable from which to derive economic interests, politics, and regime shifts. If those were the only two options, I would probably go with David’s materialism—at least good data are available, and the intuition
is impeccable. But we don’t have to make this choice. Provided we’re prepared to sacrifice a good deal of elegance, we can advance narratives of regime shifts that work both ways, from the material to the ideological and back again. I don’t think there is any single method for undertaking this messier kind of research, though in general it is safe to say that the outcome of work that proceeds in this way reads more like literature than social science. And that can’t be an entirely bad thing!

Sacrificing elegance—is this a cost or a benefit of forsaking materialist reductionism? Through a few concrete, concluding observations, I will suggest that we gain more than we lose. David’s materialism leads him to periodize the political orientation of large U.S. corporations, swinging their support en masse from liberalism, to state regulation, and then back again, in step with changing competitive pressures and market structure. I think this is far too simple. We should recall during the immediate postwar period and ever since, at precisely the time that David claims U.S. firms were ardent defenders of state regulation, the U.S. government (and many of its leading corporations) were pushing to secure a liberal international trade and investment regime. In this notable arena, at least, these corporations were hardly advocates of government regulation. And it was in part their success in removing trade and investment barriers that led to their subsequent competitive predicament, which David treats here as the chief independent causal variable.

What of the domestic arena? Were these (all? most?) large corporations as enamored of state regulation as David’s account suggests? I doubt it. It may be closer to the truth to argue that they found themselves in a situation that they lacked the power to change, perhaps because the ideological/intellectual milieu excluded strategies that might have been necessary to alter it. It may be that ‘globalization’ (which they themselves advocated) ultimately provided them with the means to alter the balance of domestic political power while simultaneously legitimizing previously subordinated norms that authorized their subsequent attack on the regulationist state. That is, they may have found it convenient (as some constructivists in the field of political science and others now argue) to import the narrative of ‘globalization’ into domestic politics to justify their attack on labor unions, corporate taxation, long-term employment relationships, and the myriad regulations that had come to restrict their freedom. In this account, ‘globalization’ emerges as a useful fiction that exerts power the degree to which it appears as anything but interpretive and fictitious.¹

The success of this strategy, I would suggest, depended on a parallel and enabling normative shift, perhaps best represented by the election of Ronald Reagan but which was well advanced by then, that again privileged individualism and personal freedom (read broadly to include corporate freedom) over communal obligations. Reagan reaped the benefits of the resurgence in American cultural and political life of naked

¹. For instance, see Gibson-Graham (1996), who identifies ways in which many Left discourses of (global) capitalism disable movements for social transformation by similarly treating its theoretical products as reflecting a reality beyond discourse that is simply given. Like the invocation of globalization by the Right, this image comes to be seen as dictating/constraining social and economic possibilities.
over enlightened self-interest. He articulated the virtues of neoliberalism in a way that most Democrats and Republicans (and their corporate sponsors) had hesitated to do during much of the postwar period. Self-interested behavior, he lectured, was both inherently and instrumentally right. This is the enduring legacy of the Reagan revolution—the dramatic shift in public discourse from the idea that the community has an obligation to the dispossessed to the idea that each of us is principally responsible to him/herself.  

Henceforth, good public policy was to require the elimination of barriers to initiative, private enterprise, and competition, while ensuring that the reward we receive is equal only to our market contribution. How else to explain the ensuing neoliberal thrust in such diverse areas of social and political life as welfare reform, the privatization of prisons, and the introduction of vouchers (and ‘market competition’) in public education—in areas that have little to do with global corporate needs or strategies? And as this normative shift took root, I would suggest that it exerted powerful influence over just how corporate leaders came to define corporate interests in the ensuing period. The resulting attack on labor swept across every sector of the economy—not just or even primarily in those industries subject to international competitive pressures, as meat packers, newspaper workers, and nurses will remind us. The intellectual/ideological milieu had changed in a way that validated the right and even the obligation of corporate and government managers to undermine union power and protective regulations, for the good of the enterprise and of society. But none of this—the outcome of the defining normative contests of the era, the definition of economic interests, and the consequent plotting of strategies by corporations (and other actors)—none of this was dictated simply or directly by shifting competitive pressures. None of it was inescapable: all of it could have been otherwise.

The brief account I’ve just outlined hardly ignores economic interests. Indeed, it reflects my own materialist impulses. It attempts only to situate the matter of economic interests that David has illuminated here in a broader context that foregrounds equally the interpretive, the normative, the ideological/intellectual. A full-blown analysis along these lines would be messy, to be sure. But I think the sacrifice of elegance is a cost well worth paying. After all, proceeding in this way allows us to see that struggle and contest at each and every point in the chain could have been then and could be today decisive in charting an alternative political and economic course. It foregrounds the intellectual, ideological and normative, domains in which social critics can and do have influence, in the campaign against neoliberalism. It

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2. Why was Reagan able to mount this kind of assault on the welfare state and union power? Was his success merely the result of changing competitive pressures? I would argue instead that he benefited from important ideological and tactical failures of the center-left, not least the labor movement. See, for instance, Davis (1986), who emphasizes the reluctance of the U.S. labor movement to champion equal rights for African American workers and particularly to sustain aggressive union organizing drives in the South during and after the war. This allowed the New Right to exploit the deep cleavages of race that continue to cut across U.S. society (not least in the Democratic party), and to mobilize white workers in support of the Reagan revolution.
provides us footing now to fight for a more just economy and society rather than wait for competitive pressures to change in our favor. And on the need for this, I am certain that David and I are in full agreement.

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