

THE WORLD ECONOMY, MARKET IMPERATIVES AND ALTERNATIVES

by GREGORY ALBO

In the crisis after 1974, social democratic governments like Sweden's and technologically ascendant countries such as Germany seemed to be moving in very different directions from other capitalist countries. Today, these divergent economic paths seem to be only alternate routes converging in neoliberalism. The world economy in the 1990s, everyone now seems to agree, accommodates only one model of development: export-oriented production based on flexible labor markets, lower real and social wages, less environmental regulation and freer trade. Neoliberal economic strategies are proposed for conditions as vastly different as those faced by the new ANC government in South Africa, the transitional economies of Eastern Europe, and the new center-Left coalition in Italy.

The Right, of course, has greeted these developments triumphantly. The Left has responded less with triumph than with resignation, but it still accepts them as inevitable. A stalwart American Liberal such as Robert Reich baldly concludes that "as almost every factor of production...moves effortlessly across borders, the very idea of an American economy is becoming meaningless."¹ Fritz Scharpf, a leading strategist of the German SDP, voices what is often a convention on the Left, that "unlike the situation of the first three postwar decades, there is now no economically plausible Keynesian

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strategy that would permit the full realization of social democratic goals within a national context without violating the functional imperatives of a capitalist economy."² Social democracy must rethink its traditional goals to accommodate the new imperatives. And from outside the traditions of social democracy, Perry Anderson despondently reports that "the future belongs to the set of [capitalist] forces that are overtaking the nation-state."³

Across a broad political spectrum, then, economic strategies have come to be based on the common premise that "there is no alternative," that "globalization is irreversible," and that economic success depends upon encouraging and enhancing this process. Neoliberals have fostered the movement to freer trade and deregulation of labor markets, arguing that overcoming the constraint of limited markets is the means to increase growth, remedy trade imbalances, and lower unemployment. The state needs to be forced to comply with the "laws" of the market. Social democrats differ from neoliberals only in their belief that there are specific constraints on the market that need to be surmounted—for instance, the constraints imposed by an insufficiently skilled workforce, which can be surmounted by training policies—to allow the harvest of globalization to be reaped.

On empirical grounds alone it is quite clear that the result of policies which advance globalization has been a series of economic failures, particularly increasing trade imbalances and mass unemployment. But the various proposals for correcting these failures and imbalances are deeply flawed not only empirically but also in their theoretical foundations—from neoliberal assumptions about the market, to Keynesian conceptions of market regulation, and social democratic variations on the theme of "shaped advantage." The problems of neoliberal theories are well known after two decades of these policies. The flaws in social democratic proposals have been less widely discussed. I want first to outline the theoretical flaws in the social democratic version of market regulation and then to argue that there are, in fact, alternatives for socialists even in capitalist societies.

The common view that there is no alternative, that we must submit to the market and that the autonomous agency of the state has been diminished, is really based on circular reasoning. It is true only if we begin by accepting the social property and power relations that impose global market imperatives in the first place. But if we challenge this presumption, there are alternatives even within the existing social relations of power in capitalism.

The Illusion of Social Democracy

Economic processes occur in real historical time, not in the timeless space of neoliberal equilibrium models. These models assume that, for every economic imbalance, there is an immediate correction that will bring the economy back into balance. But in the real world, capitalist techniques and workers wage demands do not change instantly, as soon as there is excess labor supply; and a change in the value of currency does not necessarily bring about greater export demand or cause expenditures to be shifted from exports to domestic industry.

If Left economists generally acknowledge these flaws in the equilibrium model, beyond this very general agreement various stands of the Left part company. For Marxists these market instabilities arise from the inherent contradictions of capitalism, and they can be resolved only by transitional strategies of disengagement from market relations. Social democratic Keynesians on the other hand, believe that the market simply needs to be regulated to remove certain *specific* constraints which prevent capitalism from reaching the volumes of output associated with full employment.

If economic openness is irreversible and trade expansion is a foundation for prosperity, as the new conventional wisdom insists, social democratic economic policy is left with only one central question: how should national (or regional) competitiveness be created and maintained? Everything else—from macroeconomic policies to strategies for training and welfare—flows from this question.

Since markets are not perfect, social democratic theorists argue that the economy cannot be left to work itself out

through free trade: states can and must help "shape advantage" to improve trade balances and competitiveness.⁴ New industries, for example, often require protection before they can face import competition. Early entry into the market and increasing economies of scale can "lock in" market share before rivals gain a chance to develop. In this way, the technically superior BETA recorders lost out in the capitalist marketplace to the less capable VHS in the early 1980s.

In the social democratic view, then, it is imperative to have a strategic trade policy to get new products developed and into markets as quickly as possible. Since technological change is a continual process of building up technical skills, capacity, and entrepreneurship, a "technological dynamism" needs to be nourished. Countries that lose technological capacity suffer the economic misfortunes vividly exemplified by Britain's fall in world standing. In this case, every attempt to expand demand, instead of raising domestic output, has simply sucked in imports, and the economy has been forced to slow down in order to avert a balance-of-payments crisis. The result has been a vicious stop-go cycle, and this has discouraged investment, which requires stable growth. As a result, in the absence of new technical capacities, competitiveness has increasingly come to depend upon low cost production. In contrast, stronger competitors can continue to keep investment high in new techniques, thereby enhancing output capacity and competitive advantage.

The social democratic case for an industrial policy of shaped advantage has found particularly strong advocates in the economically declining powers of Britain, Canada, and the United States, as with popular writers like Will Hutton, Jim Laxer, Lester Thurow, and Robert Reich. In their view, a world economy of ever-increasing trade volumes affords ample market opportunities if the industrial successes of Japan, Germany, and Sweden can be replicated (and their failures ignored). Shaped advantage can resolve the problems of external trade imbalances and create a stable capitalism.

There are several competing social democratic positions—though to some extent they complement each other—on how shaped advantage can also resolve the internal

imbalances of employment. The “progressive competitiveness” strategy emphasizes the effects of *external* constraints imposed by globalization. In a globalized market, what distinguishes one economy from another is the skills of its labor force and the nature of workplace relations. Training policies should, therefore, be the central component of a jobs and welfare strategy, while relationships of “trust” and co-operation should be fostered within enterprises.

The “shared austerity” strategy stresses the *internal* constraint of distribution relations. Full employment requires severe restraint on workers pay and consumption to keep exports competitive, investment high, and the state budget under control. Incomes policy has a role to play in spreading work through wage restraint and keeping unit labor costs down for exports.

Finally, the “international Keynesian” view maintains that removing constraints on the market simply requires the *political will* to shift expansionary policies from the national to the supranational level, where leakages to exports and capital outflows would be irrelevant. What is needed, according to this view, is international co-ordination of economic policy; and a “cosmopolitan democracy” imposed on global governance structures would legitimate that kind of international co-ordination.

All these variants of social democratic Keynesianism avoid the neoliberal illusion that free trade and deregulation of labor markets will resolve trade and employment imbalances. But they also have in common the conviction that constraints on the market are not general barriers to capital accumulation but just specific problems that can be resolved by judicious policy. This conviction is simply unsustainable for several reasons and cannot be the basis of an economic strategy for socialists.

The Market in the Real World

First, let us consider the problem of “internal” balance, the growing reserve army of the unemployed. Unemployment is regarded as a result of the relation between competitive capacity and the level of demand: the more “competitive” an

economy becomes by improving its technical capacities, specifically by means of labor-saving technology, the less labor it needs to meet the same demand. So shaping advantage to improve technical capacity will *create* unemployment, unless there is an increase in total income—and hence an increase in demand—which would create a need for increasing total hours of work; yet unemployment itself tends to reduce total income and hence reduces demand. The strategy of “shaping advantage” to maintain high employment depends on increasing external trade in relation to domestic output, in order to make up for shortfalls in domestic demand by seeking markets elsewhere, so that employment can be created to meet these external demands. And as technological change continues, trade must continue to grow at an accelerating rate to generate a given level of employment and hours of work.

This strategy therefore requires some very delicate maneuvering, but such “knife-edge” balance becomes difficult to maintain when the strategy must be implemented in real historical conditions and in real historical time. Even in a stable world economy it would be quite fanciful to expect it all to work out. In a capitalism that is exhibiting the trade asymmetries and currency instability that exist today, it is quite impossible. Shaped trade advantage is no substitute for national and local employment policies that would constrain the capitalist market to deal with the unemployment crisis.

Second, it is just as unrealistic to assume that shaped advantage can resolve *external* imbalances. Indeed, the reliance on market adjustment may well make matters worse. Countries that succeed in maintaining export-led growth may be able to sustain the necessary balance between technological advance, external demand, and internal growth in employment. But deficit countries will have listless investment and faltering technological capacity. They will be forced to rely on “competitive” wages in order to try to resolve their trade imbalance. The pressures to compete by lowering labor costs are obvious in countries such as Britain and the United States, which have been suffering from structural deficits; but they also have become increasingly visible in cases like Germany and Japan which have enjoyed relatively constant trade sur-

pluses. In Germany, for instance, the relatively "uncompetitive" costs of labor have in recent years been accompanied by unusually high levels of unemployment. In other words, uneven development and trade imbalances can be expected to persist. Countries (or regions) in this kind of competitive world economy must inevitably enter into an ever more intense battle over unit labor costs and employment.

Third, if shaped advantage has drawbacks for individual national economies, there are even greater contradictions in the system as a whole. As Marxists have often insisted, capitalism must be evaluated as a total system, not just by the relative success of some piece of the system which succeeds at the expense of others. Shaped advantage relies on export-led growth. Trading partners must leave their economies open while the country engaging in policies of shaped advantage improves its competitive position. An immediate problem arises: if the country whose market is to be penetrated responds with protectionism or its own shaped advantage policies, any trade and employment gains are wiped out.

If the actions of a single trading partner can create problems for the theory of shaped advantage, a world of many, if not all, countries seeking to shape advantage makes a shambles of social democratic economic policy. It is obvious that not all countries can have successful export-led economic strategies. As all countries cannot run trade surpluses to improve employment: some must incur deficits. Trade imbalances and unemployment will necessarily co-exist. Indeed, this has been the norm for the world economy over the economic history of capitalism. This is, in effect, what happened in the great crisis of the 1930s.

As the strategy of shaped advantage is pursued over time, and more countries are forced to adopt it or face balance-of-payments problems, every one can be left worse off. Indeed, as trade imbalances persist, there is every incentive for competition over unit labor costs to spread from improving productivity to more general austerity programs, *even* in technologically leading countries. Technological laggards must compete by means of lower wages to reduce unit costs or face a growing trade deficit. Paradoxically, this tends to

undermine the foundations on which the successful policies of the *leading* economies are based: lower incomes in other countries deprive successful economies of growing markets, while their capacity to produce more output is increasing because of their technical advances and growing productivity. This means that technological leaders are eventually obliged to follow the losers or they will lose their own surpluses and suffer increased unemployment.

So even technologically advanced countries with an explicit policy of shaping advantage like Japan and Germany begin to feel the sting of "competitive austerity," while peripheral economies such as Ghana and Newfoundland eventually buckle and collapse from the exhaustion of a never-ending competitive spiral. The only possible winners are the fortunate few capitalists in societies which can combine cheap labor with technological capacity so that rates of exploitation can be maintained. But social democrats would concede that Korea and Malaysia are not particularly desirable economic models. For the capitalist system as a whole, therefore, the social democratic strategy of unplanned external trade based on shaped advantage policies is not much better than neoliberal free trade, and equally capable of increasing economic instability.

Fourth, if we add the real world condition of massive capital mobility, the social democratic case for shaped advantage is weakened even further. Shaped advantage requires long-term planning and thus what social democrats call "patient capital." Yet the more global the economy becomes, the greater will be the uncertainty and risk of investment, so financial capital in a global market is increasingly driven by short-term demands for profit and liquid assets as a hedge against risk. Global financial markets therefore pose an obstacle to industrial policy. If there is instability and thus increasing risk and uncertainty, financial capital will be even less willing to be tied to the long-term investments necessary to increase capacity in export industries.

Keynesian economics has always acknowledged that there is a mismatch between the time horizons of financial and industrial capital: where the latter requires long-term

investment, the former thrives on short-term profit. Capital mobility and floating exchange rates in a world economy raise this problem to an entirely new level. So the traditional socialist argument that democratizing financial capital is a necessary condition for political alternatives is now more important than ever.

But something more, and different, is needed than the "democratic" structures of international governance advocated by social democrats of the "international Keynesian" variety. These structures would not go to the heart of the problem. They are not, for example, designed to restrict capital mobility. More democratic international institutions of the kind envisaged by international Keynesians would do little more than confer a greater political legitimacy on the existing global economy formed by internationalized capital movements. To do more than that would require giving up the very assumptions on which the social democratic strategy of shaped advantage is based. It would require abandoning the consensus that globalization is irreversible and that the capitalist market is essentially efficient.

Similarly, international Keynesianism must assume that the world market suffers only from a specific, and soluble, problem of adequate demand. Yet stimulating global demand to reduce unused capacity is likely only to compound existing trade imbalances. It will do nothing to clear these imbalances. Neither will it reverse unemployment in economically declining regions such as Atlantic Canada which lack industrial capacity (or whose advantage in natural resources has already been wiped out by the competitive game, as in the Atlantic fishery), nor reverse the cheap labor strategies adopted in, say, Alabama.

Moreover, the capitalist market imperatives of competition prevent the co-operation necessary for international relations. How do you encourage co-operation when it is always possible to achieve better trade balances and rates of employment by cheating—through import restraints, cheap currency, or austerity—before your competitor does? The world can stand only so many Swedens of competitive devaluations,

Japans of import controls, or Germanys of austerity shaping advantage to prop up export surpluses and employment.

If economic efficiencies can be achieved by industrial policy, it can only be by means of trade regimes that plan trade and control capital mobility. Social democratic economic policy for national competitiveness through shaped advantage simply rests on the indefensible assumption that globalization is irreversible, that market imperatives require the global economy to be maintained as it is, and that, even if the planet is ravaged by endless economic growth, there is no other way of sustaining employment. These assumptions cannot be the basis of a socialist economic strategy.

The Myths of Globalization

The internationalization of capitalism no doubt accentuates the imperatives of the market and places certain limits on socialist economic policy. Yet the only thing that obliges us to conclude that there is no alternative to international competitiveness is the *a priori* (and unexamined) assumption that existing social property relations—and hence the structural political power sustained by these relations—are sacrosanct.

Even *The Economist* seems to concede this point. This highly respected mouthpiece of neoliberal dogma has said that the “powerless state” in the global economy is simply a “myth” and that governments have “about as many economic powers as they ever had.”⁵ The notion that the nation-state at one time, before globalization, acted as the center of social power and the regulator of economic activity, and that it is no longer capable of doing so today, is fundamentally misleading. The process of world market formation together with the “international constitutionalism of neoliberalism has taken place through the agency of states.”⁶

This does not mean that the imperatives of competition in a world market have not lessened the autonomous agency of individual capitalists or states. The NAFTA, Maastricht, and WTO agreements all have restricted the capacity of nation-states (or regions) to follow their own national (or local) development strategies. It does mean, however, that the limits on state policy are to a significant extent self-imposed. Market

imperatives certainly place limits on state policy, but there is no obligation to accept those imperatives. If we are prepared to question the social property and power relations that imposed global market imperatives in the first place, the scope of state action increases and there are indeed alternatives.

Globalization has to be considered not just as an economic regime but as a system of social relations, rooted in the specific capitalist form of social power, which is concentrated in private capital and the nation-state. What globalization basically means is that the market has become increasingly universal as an economic regulator; and as the scope of the market widens, the scope of democratic power narrows: whatever is controlled by the market is not subject to democratic accountability. The more universal the market becomes as an economic regulator, the more democracy is confined to certain purely "formal" rights, at best the right occasionally to elect our rulers; and this right becomes less and less important as the domain of political action is taken over by market imperatives. So the more globalized the economy becomes, the less possible it is for socialists just to tinker with economic policies. The more global the economy, the less possible it is for socialist *economic* policy to avoid *political* contestation over the social property relations of capitalism.

Finding an alternative to globalization, then, is as much a question of democracy in opposition to the imperatives of the market as it is of alternate development models. The alternative to globalization is democracy, not just in the sense of civil liberties or the right to vote but also the capacity to deliberate collectively as social equals about societal organization and production, and to develop self-management in workplaces and communities. Democracy in this sense is both a form of political organization and an alternative to the market as an economic regulator.⁷

The geographic expansion of production prompts, then, challenging questions for socialists about the space and scale of both economic activity and democracy. The replacement of market imperatives by democratic regulation means more than just the "democratization" of institutions like the EC, NAFTA, or even the IMF. It is quite clear that the "rational

interest" of workers, peasants, and ecologists, North and South, entails taking a stand against globalization as it actually exists: globalization is an internationalism only of the capitalist class which is disrupting local communities and environments at a breathtaking pace. Progressives who call for international strategies to remedy the democratic deficits of existing international economic institutions have yet to demonstrate how this could possibly be anything but productivist and socially polarizing if the market itself is untouched.

Indeed, the imperatives of a capitalist market at the global level makes such an outcome inevitable *unless* the spatial expansion of democracy is matched by capital controls which more firmly embed production in national and local economies. How, then, can we plan production or begin a process of transition to democratic organizational forms at the global level?

Socialist Alternatives: Expanding Democracy, Controlling Production

The answer may be a dual, and somewhat paradoxical, strategy: expanding the scale of democracy while reducing the scale of production. Expanding the scale of democracy means changing the governance and policy structures of international agencies and fora, but also of extending the basis for democratic administration and self-management nationally and locally. Let us be clear here. Expanding the scale of democracy in any meaningful sense will entail a challenge to the social property relations of capitalism. To make collective decisions implies some democratic capacity, backed by the coercive sanctions of the state, to direct capital allocation and thus to establish control over the economic surplus. The point is to enhance, with material supports, the capacities of democratic movements (which will vary tremendously according to the class relations and struggles in specific places), at every level, from local organizations to communities up to the nation-state—so as to challenge the power of capital.

Reducing the scale of production means shifting towards more inward-oriented economic strategies, but also forming new economic relations of co-operation and control internationally.⁸ The logic of the capitalist market creates a

need for large-scale production, an obsession with quantity and size, to which all other considerations—of quality, of social need, and so on—are subordinated. The general objective of socialist policy should be to reduce the scale of production runs as the central economic objective putting other social considerations before quantity and size. Of course the massive material inequalities between nations mean that the general principle of reducing the scale of production will have to vary between developed and developing countries.⁹ Certain major industrial sectors necessary to produce adequate levels of welfare will obviously need to be put in place. Scale economies will also be important in some sectors to achieve the most efficient plant size, to reduce inputs and environmentally damaging outputs. But the reduction of scale should remain the general guiding principle, in keeping with the socialist conviction that production should above all meet basic needs, foster self-management capacities, and adopt more labor-intensive techniques when capital-intensive ones, like chemicalized agriculture, have large negative environmental consequences. The present desperate levels of economic insecurity, the volume of contamination and resource use, and degradation of local ecologies in the developed countries have surely made clear that economic growth cannot be equated with human welfare in any simple manner.

This implies that socialist economic policy must take a strong stand in support of those institutional structures at the level of the world economy which favor alternative development models. There is a sound basis for this approach. The postwar period displayed a variety of models of economic development, in the diversity of Fordism in the North, import-substitution industrialization in the South, and the various "socialist experiments."¹⁰ Even the attempt to impose a neo-liberal homogeneity of development confirms that there is no single economic path: there is now a diversity of disasters across the North, the East, and the South. It is impossible for socialists to put forward alternatives unless it is insisted that there are variable ways of organizing economic and ecological relations, if only we create the political space for them.

The objective of such a solidaristic economic policy can be summed up like this: to maximize the capacity of different national collectivities democratically to choose alternate development paths (socialist or capitalist) that do not impose externalities (such as environmental damage) on other countries, by re-embedding financial capital and production relations from global to national and local economic spaces.

Such an objective would entail, broadly speaking, control of open trade and diversity of inward-oriented economic policies. This strategy obviously does not do away with international fora or the need to democratize them. But democracy at this level would not be just a place where more accountable elected representatives meet to enlarge the space of the market. Instead, the purpose of international bodies would be to constrain capitalist social property relations and widen the space for democratic organizational forms and capacities.

For example, it is quite easy to envision these democratized agencies being mandated to co-ordinate and plan the institutional and material supports for alternate development models, planned trade, control of capital, and enforcement of ecological standards. This cannot be accomplished by some kind of "international civil society" or a "cosmopolitan democracy"—as some currently fashionable and rather vague formulations of the Left suggest. It can only be the result of specific national and local struggles for democratic control of space, solidaristically supported by international movements.

Alternate development equally requires a coherence between tax and welfare policies, collective agreements, the enforcement of environmental regulations and, to the maximum extent possible for ecological reasons, the maintenance of bio-regional zones. Neoliberalism and globalization have seriously damaged the internal coherence of virtually all national and local economies and ecologies. This is the madness in which mono-culture crops for export flourish while peasants starve and the bio-diversity of plant life is lost; national exports of computers attain record volumes but local schools cannot afford them; and long-established cultural institutions lack resources while global advertising budgets flourish.

Socialist economic policy has always been—or ought to have been—redistributive not just in apportioning incomes among social classes but also in sharing out political power, the democratic capacity to direct sustainable economic activity. It is possible here, too, to identify strategies that re-orient institutions and resources against market imperatives. The redistribution of work simply to expand demand will neither absorb the unemployed nor be ecologically sound. A socialist policy should be directed at productivity advances that take the form of reducing work-time, spreading work, and equalizing incomes; a tax regime that will expand democratically controlled and egalitarian services where most job growth will occur; an industrial policy that expands employment on the basis of increased worker input and quality products; and market-modifying policies that control capital movements and plan capital allocation. The radical reduction of work-time, for example, might enhance ecological health and spread work within the existing power relations of capitalism. But if some of that reduced worktime is allocated to the administrative work of self-management it will also contribute to the long revolution toward socialism.

Utopian Capitalism, Realistic Socialism

This is a long way from where we are now. The configuration of the world economy that has evolved since the end of the postwar boom remains unstable: the structural asymmetries in the world payments system, the debt burden weighing down governments North and South, the uncertainty of currency markets, the strengthened hand of speculative rentier interests over state policies, and marginalization of large geographic zones form the ruined economic landscape of the 1990s. The policy of restraint adopted by OECD governments in the 1970s, in the initial response to the economic crisis, was meant to be only a minor period of correction in a quick return to a high-growth path; and the Volcker-Reagan shocks of the 1980s were supposed to inflict the short-term pain of adjustment in exchange for long-term gains of jobs and income. Now, under governments of varied political stripe, the

long-term pain of austerity will only yield more long-term pain of austerity.¹¹

The market imperatives in the world economy to compete or join the marginalized—for individuals, companies, state governments and, indeed, nation-states—have not yet led to depression and war like the “beggar-thy-neighbor” policies of the 1930s; that was how the last appearance of an unregulated world market ended. The multilateral trade agreements at least prevent this disaster from unfolding today. Yet the same competitive dynamic is being transferred to the “beggar-thy-working-class” cost-cutting policies that are actively being pursued by virtually all governments.

The imperative of “competitive austerity” leaves the world economy stagnant and, as every quiver of the stock exchange reveals, full of potential for rapid deflation. This imperative is what lies behind the spread of the North American model of development, with its income-splitting, insecure jobs, longer hours of work, and impoverishment of the public sector. It also means that the post-Fordism of the Japanese, Swedish, or German models advocated by social democrats are little more than intellectual phantoms.

In Raymond Williams’s novel, *The Fight for Manod*, one of the characters grapples with the question of political alternatives to social decay, and decries the impasse which he presents as a specifically British disease but which today seems universal:

The whole of public policy is an attempt to reconstitute a culture, a social system, an economic order, that have in fact reached their end, reached their limits of viability. And then I sit here and look at this double inevitability: that this imperial, exporting, divided order is ending, and that all its residual forces, all its political formations, will fight to the end to reconstruct it, to re-establish it, moving deeper all the time through crisis after crisis in an impossible attempt to regain a familiar world. So then a double inevitability: that they will fail, and that they will try nothing else.¹²

In just this way, neoliberal and social democratic economic policies are today utopian in the bad sense of the word: attempting to fashion an unregulated laissez-faire capitalism at the world level on the one hand, or trying to recapture the

human side of capitalism of the postwar period on the other. The only alternative that is realistic, in the good sense of the word, is to try something else that begins with the actual social relations of power in capitalism while challenging them from within. History can hardly be on the side of an old tired social order which still imposes the imperatives of the market against all other needs, human and ecological.

NOTES

1. R. Reich, *The Work of Nations* (New York: Knopf, 1991), p. 9.
2. F. Scharpf, *Crisis and Choice in European Social Democracy* (Ithaca: Cornell University Press, 1991), p. 274.
3. P. Anderson, *A Zone of Engagement* (London: Verso, 1992), p. 367.
4. R. Kuttner, *The End of Laissez-Faire* (Philadelphia: University of Pennsylvania Press, 1991).
5. "The Myth of the Powerless State," *The Economist*, October 7, 1995, p. 16. They were, of course, warning of the dangers of state intervention.
6. L. Panitch, "Globalisation and the State," in R. Miliband and L. Panitch, eds., *Social Register 1994: Between Globalism and Nationalism* (London: Merlin, 1994), p. 87.
7. On democracy as not only a political form but an alternative to the market as an economic regulator, see Ellen Meiksins Wood, *Democracy Against Capitalism: Renewing Historical Materialism* (Cambridge: Cambridge University Press, 1995), especially the Conclusion.
8. This discussion draws upon G. Albo, D. Langille, and L. Panitch, eds., *A Different Kind of State? Popular Power and Democratic Administration* (Toronto: Oxford University Press, 1993); R. Miliband, *Socialism for a Sceptical Age* (Oxford: Polity Press, 1994); and A. Lipietz, *Towards a New Economic Order* (New York: Oxford University Press, 1992).
9. Economies of scale here means long production runs. Other ways of increasing returns to scale are, in principle, possible, by combining flexibility, external organizational economies, and specialization.
10. The variability of economic development has, if anything, increased, now that the configuration of the world is no longer what it was in the classic age of imperialism. Capitalism is no longer a one-sided process emanating from the North—with the four "tigers" of Asia, the relative decline and trade problems of the United States, and national capitalists in many countries mobilizing against inward-oriented economic policies.
11. These shifts in direction can be neatly traced in the key OECD reports: *Towards Full Employment and Price Stability* (Paris: OECD, 1977); *Employment Growth and Structural Change* (Paris: OECD, 1985); and *The OECD Jobs Study* (Paris: OECD, 1994).
12. R. Williams, *The Fight for Manod* (London: Chatto and Windus, 1979), p. 181.