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INTRODUCTION

*Neo-Liberalism, State Power and Global Governance
in the Twenty-First Century*

1. RE-BALANCING THE PRIVATE AND PUBLIC DOMAINS

There are few more vital contemporary questions for political scientists than those that emanate from the relationship between neo-liberalism, the exercise of state power, and the institutions and practice of global governance. Since the demise during the early 1970s of the first 'Washington Consensus' provided by the capital controls and fixed exchange rate system of the Bretton Woods international economic order, its neo-liberal successor has come to dominate the relationship between states and markets in both the industrialized and the industrializing economies. Policies of privatization, deregulation, and liberalization of markets have not only given entrepreneurs and trans-national corporations greater freedom to innovate and take risks in pursuit of profit, but also largely redrawn the boundaries between the public domain of the state and citizenship and the private domain of the market, entrepreneurship and consumerism. Globalization, often when allied to arguments about the need to maintain international competitiveness, has provided a generation of politicians with both a convenient alibi, to explain their inaction or indifference to rising inequality and other social consequences of unfettered market forces, and an ideological weapon, to justify major restructuring of domestic political, economic, and social institutions in the guise of urgent and overdue modernization (Blair, 1998; Giddens, 1998). The parallel response of a generation of voters, to this attempt to roll forward the frontiers of the private domain of the market, entrepreneurship and consumerism as agencies of social change, has been to abandon the public domain of political parties and the electoral ballot box in increasing numbers.

The purpose of this volume is to explore some of the ways in which neo-liberalism has affected both the nature of state power and its relationship to the institutions of global governance in the contemporary global economy. Although the contributors have approached their subject from a variety of disciplinary backgrounds from within the social sciences, there are a number of consistent underlying

themes to their work. The first is that neo-liberalism has failed to provide a framework for state power and global governance capable of delivering stable and lasting prosperity for the richer industrialized economies, and a developmental route out of poverty for the poorest economies. Second, the role of politics and the exercise of public policy should be more broadly defined than the simple construction of institutions for the market. While the World Bank has argued that this limited role for the state is an effective one, the analyses furnished by the contributors to this volume suggest otherwise. The relationship between the state and market needs to be reordered to foster a broader conception of the public domain that will deliver greater effectiveness in both state power and the pattern of global governance, and thereby advance human development. In particular, the contemporary pattern of state power and global governance needs to be re-balanced in favour of the public domain of the state and citizenship, in order to redress some of the inequalities bequeathed by three decades of liberalization, privatization, and deregulation. Third, while international flows of finance, goods and trade have challenged and constrained the exercise of state power, the degree to which globalization has undermined the policy autonomy of the democratic state has in many cases been overstated. Consequently, any analysis of the impact of neo-liberalism upon state power and global governance must recognize the importance of context, including the impact of society, historical traditions and culture, in mediating the effects of neo-liberalism.

Thus far, the nature of the constraints which globalization has placed upon national sovereignty has been disputed between the 'hyper-globalizers', whose thesis is that national economic policy autonomy has been rendered largely redundant; the 'sceptics', for whom the notion of the powerless state has been overlaid to the point of mythology; and the 'transformationalists', for whom globalization has ushered in an unprecedented era of change upon states and societies (Held, McGrew, Goldblatt and Perraton, 1999). This volume is written in accordance with the thesis developed by Weiss that 'hyper-globalizers' and 'transformationalists' have tended to exaggerate the extent to which the political economy of the state has been constrained by the need to conform to the policy and institutional conventions of competitive liberalism. Indeed, as Weiss has suggested, 'rather than national states being generally constrained, hollowed out, and transformed by global markets, domestic institutions – especially, *but not only*, political ones – are key to understanding the effects of openness and where interdependence may be heading' (Weiss, 2003: 4). As the contributors to this volume have sought to demonstrate, states have significantly more political autonomy to mediate the effects of globalization than has been allowed by 'hyper-globalizers', not least because globalization can act as an enabling force as well as a constraint on economic governance. As a consequence, the character of domestic institutions remains decisive in determining how state power is used to deal with the impact of global markets. Although the structures of the world economy may set the 'political and economic parameters of the possible' at any juncture, 'it is only the parameters that they set' (Henderson, 1999: 361). Indeed, in the specific instance of the United Kingdom (UK) and United States (US), where neo-liberalism was