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Examining the Ideas of Globalisation and Development Critically: What Role for Political Economy?

BEN FINE

The purpose of this article is primarily to situate the rise of the idea of 'globalisation' in terms of its broader intellectual context, with some emphasis on the relevance for 'development', an equally contested concept.¹ In part, the aim is to provide an answer to the question that has recently been succinctly posed by David Harvey. He recognises that globalisation 'is now one of the most hegemonic concepts for understanding the political economy of international capitalism. And its uses extend far beyond the business world to embrace questions of politics, culture, national identity, and the like. So where did this concept come from?'² I offer a broad and partial answer to this question in the next section, arguing that 'globalisation' neatly captures two intellectual trends, the dual retreat from the excesses both of neoliberalism and of postmodernism. From preoccupation with deconstruction and semiotics across the social sciences, attention has increasingly been directed towards understanding the nature of contemporary capitalism as a system of power and conflict, of poverty and inequality, of environmental degradation, and so on. 'Globalisation' predominantly represents a return in emphasis to the study of material realities other than as a system of signs. Interest has focused on how the world is organised and functions internationally and nationally, reflecting intellectual departure from a 'virtual' world of increasingly free and unconstrained markets. Such concerns have also reduced the appeal of neoliberalism, the idea that the world could and should be run as if a perfectly functioning set of markets with at most a light, facilitating touch by the state.

In short, the rise of globalisation represents a reaction against, if not an absolute rejection of the influence of, neoliberalism and postmodernism. Not surprisingly, the globalisation reaction against neoliberal and cultural turns inevitably tends to incorporate an economic content. In this light, the second section advises of a third intellectual trend, the emergence of a new and virulent strain of 'economics imperialism' based on market, especially informational, failure. Whilst mainstream economics has become absolutely intolerant of dissent within its own discipline, it has increasingly sought to colonise other

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disciplines, understanding both market and non-market phenomena as the rational, historically evolved responses to market failures. As a result, the other social sciences will need to negotiate their stances in relationship to mainstream economics in terms of the understanding both of the economic and the non-economic. This is germane to the understanding of development. For, as discussed in the fourth section, the new economics imperialism has been strenuously applied to development. It underpins the shifting rhetoric and scholarship of the World Bank in its move from Washington to post-Washington consensus.

Taking it for granted that neither the World Bank in particular nor mainstream economics in general will provide us with the economics necessary to comprehend contemporary capitalism (and development), it is appropriate to assess the contribution that globalisation does and can make to providing a political economy for this purpose. Here, it is salutary to compare what Harvey had to say only four years previously, when globalisation was just coming to the fore:

Acceptance of the globalisation language is disempowering for all anti-capitalist and even moderately social democratic movements ... [and] the communitarian response appears either Utopian in the weak nostalgic sense of looking to times past, or else it proposes the illusory isolationist localized politics, supposedly outside the flux and flow of capitalist accumulation operating across the face of the globe. ... If the languages of 'community' and of 'globalization' are both to be rejected, then where is there to go?³

His later contribution, cited above, is much more even-handed. This is not surprising because, in its earliest manifestations, globalisation was understood as the unstoppable release of the market across the globe, welcome or not. It was the intellectual plaything of neoliberalism, 'there is no alternative' writ globally large. Now, we are collectively older and wiser and, as a neoliberal project, 'globalisation' has proven unsuccessful and is more than counterbalanced in content by a critical element. This is confirmed and illustrated in the third section by comparison with the central notion that has evolved out of 'the languages of community' to which Harvey could at that time only implicitly make reference, namely, social capital. It is shown, in contrast to globalisation, to conform uncritically to the dictates of the new economics imperialism. Consequently, the reactions against neoliberalism and postmodernism do not inevitably lead to a rolling programme of more progressive and radical thought. It depends on how the economy is understood and, closely related but different, what response is made to economics imperialism.

These concerns are taken up in the fifth section, with Lenin's *Imperialism* as point of departure, and in the concluding remarks. It is suggested that, while the globalisation literature is potentially critical in terms of its understanding of the economy, it is not critical or penetrating enough. Debate around the economy is both inevitable and necessary, and will take place outside the discipline of economics, but globalisation is too amorphous a category from which to begin. Rather, it needs to be reconstructed as a material and cultural category, in its complexity and diversity, in light of the political economy of capitalism, an

imperative that involves both an abstract theory of capital and judicious judgement over its contemporary features.

Neoliberalism, postmodernism and economics imperialism

In the editorial introduction to a collection on the topic, Therborn acknowledges of globalisation:

Basically it is a concern of the second half of the 1990s. ... In the major dictionaries of English, French, Spanish and German of the 1980s or the first half of the 1990s the word is not listed. ... The *Social Science Citation Index* records only a few occurrences of 'globalization' in the 1980s but shows its soaring popularity from 1992 onwards, which accelerated in the last years of the past century.⁴

But it is much harder to explain why globalisation should have shot to prominence than it is to recognise that it has done so. Immediate explanations in terms of an intellectual response to material developments are far from convincing and, at best, partial. If the idea of globalisation is a knee-jerk reaction to globalisation itself, it would appear to have been a swift kick in the delivery but extremely protracted in gestation relative to internationalisation trends in the postwar period—let alone those of a century earlier. Nor can 'globalisation' be explained by the 'end of history'—as a response to the collapse of socialism in the Second World and the triumph of the market in the Third. There is just too much globalisation literature that continues to neglect such other worlds. The most promising purely materialist explanation for globalisation surely rests on the prominence of international finance both in itself and as a metaphor for all things global. Yet again, the contemporary rise of global finance is too long established to have spawned, rather than to have nurtured, the notion of globalisation. It is now almost 30 years since, ironically, the Soviet Union set the ball rolling by negotiating the first Eurobonds. Did it take 20 years for the worlds of finance and ideas to catch up? Similarly, the revolution in communications and information is too long in the tooth to have been the source of globalisation as its intellectual progeny.

This is not to argue that material developments are irrelevant to the emergence of globalisation as the key concept in academic and popular discourse at the turn of the millennium. Those factors highlighted in the previous paragraph, and others attached to economics, politics and culture, have certainly inspired the idea of globalisation, and have heavily influenced its form and content. For Therborn, for example, there are at least five discourses around globalisation—competitive economics, social criticism, state (im)potence, culture and ecology.⁵ Similarly, Appadurai associates globalisation with the drawing of five different landscapes—those of ethnos, media, techno, finance and ideo.⁶ Beck adds a few more factors in the style of Appadurai.⁷ Amin and Thrift seek to unpick the dialectic between global and local through seven aspects of globalisation—finance, knowledge, technology, oligopolies, diplomacy and loss of state power, communications, and culture and migration.⁸ But neither individually nor collec-

tively do these, or more, such contributions explain the rhythm and pace of globalisation as late twentieth century precocious concept.

To progress beyond the genealogy of globalisation as merely the result of a dialectic between its material and conceptual moments, it is necessary to delve more broadly into the nature of the current intellectual mood. I would highlight two significant features or trends. These comprise the dual retreats from the excesses of neoliberalism and postmodernism, both of which are heavily embroiled in the rise of globalisation. Indeed, as will be seen in the next section, debate over globalisation has inevitably taken neoliberalism as point of departure. As a preliminary, it would be neat and tidy if we could legitimately tie the rise (and fall) of postmodernism itself to changes in underlying material conditions. This has been attempted with considerable subtlety, for example, by Harvey for whom, by appeal to the regulation approach, postmodernism is perceived to be the intellectual and cultural counterpart to the rise of flexible specialisation or post-Fordism.⁹ This is, however, highly questionable, not least because of doubts about the regulation approach itself in general as well as the extent of the empirical incidence and distinctiveness of the move to 'flec-spec' in particular. In other words, it is not simply that the links do not exist between (an invented) 'flec-spec' and 'pomo', nor is there a putative anchor for the latter in the transformation away from a stylised Fordist production. There must also be doubts over the extent to which postmodernism is a popular as opposed to an intellectual discourse as wittily demonstrated by study of those blissfully ignorant shoppers who occupy that postmodern nightmare, the shopping mall.¹⁰

I would situate the rise and fall of postmodernism in part as a result of its serving as the ideal complement to neoliberalism. For they both respect one another's territory in a double sense—conforming where they overlap but not engaging where they are mutually inconsistent. Each, for example, is heavily concentrated on individual subjectivity with neoliberalism emphasising consumer and entrepreneurial sovereignty on the basis of given individuals, whereas postmodernism emphasises the restless reconstruction of identity.¹¹ Yet neoliberalism, especially in its academic version, is entirely unconcerned with the meaning of things whose properties are taken to be purely physical. In complete contrast, in consumption for example, postmodernism tends to neglect the material nature of the consumer and the consumed in attending to formation of their meanings. Accordingly, there is, with few exceptions, no postmodernist economics.¹² In addition, crucially, if entirely from different perspectives, the state tends to be perceived negatively by both approaches—as instrument of inefficiency and oppression respectively.

Of course, I exaggerate, overgeneralise and caricature. The important point is that postmodernism essentially abandoned the economic, and the material more generally, thereby conceding to neoliberalism and the triumph of the economists. As a result, it is hardly surprising that neoliberalism and postmodernism should stand and fall together. But what exactly is the economics with which neoliberalism is being challenged? In brief, neoliberalism is based upon the idea that the market works perfectly and should be extended to as many areas of life as possible. This is what Carrier and Miller dub 'virtualism'¹³—the goal of ensuring that the world should be made to conform as far as possible to an entirely

imagined (free market) representation of itself. In the past, in addition, economics imperialism has taken the form of treating all economic and social phenomena as if they were equivalent or reducible to a perfectly functioning market, despite the absence of the market in practice (as if all exchanges in the household or the firm, for example, were equivalent to market exchanges). This, which I term the 'old' form of economics imperialism, has achieved some notable successes in exerting its influence over the other social sciences, especially with human capital, and is heavily associated with Gary Becker. It thrives outside economics where rational choice prevails and, for Becker, rational choice is the economic approach to all human behaviour.

Necessarily, though, the old economics imperialism by virtue of its alien method and reductionism has always remained limited in scope if not in ambition. It has now been superseded by a new economics imperialism, one that has emerged alongside, and hastened, the decline of neoliberalism and postmodernism.¹⁴ Within economics itself, in broad terms, the nature of the transition is deceptively simple. Instead of interpreting the world as if it were a perfect market, it is now understood as an imperfect market. One virtualism replaces another, although the new version is considerably more seductive in its attractions, both across economics and the social sciences more generally, for a variety of reasons. Within mainstream economics itself, the idea of imperfect markets is far from new and has traditionally been used to justify state intervention to correct them, whether due to externalities or natural and artificial monopolies. The presence of a benign state undertaking this task has been challenged by neoliberalism in its appeal to rent-seeking and the like. The new economics imperialism has, however, retaliated by arguing that even if markets could work perfectly in principle, they will not do so in practice because of imperfect, especially asymmetric, information. Without going into details, it can be shown that asymmetric information can lead to three types of market imperfection: first, markets may clear (supply equal demand) but be inefficient; second, markets might not clear (supply not equal demand without any movement in prices to bring them together); and, third, markets might not be formed at all.

From the perspective of economics imperialism, these results are unexceptional as they stand. What transforms their significance for social theory is the suggestion that the informational imperfections that cause market imperfections give rise to non-market or social responses to accommodate them. In other words, institutions, customs, culture and so on are the rational, non-market, possibly collective response to market imperfections. By such means, the new economics imperialism accomplishes two tasks over and beyond the old. First, it recognises the distinctiveness of the non-economic, the non-market or the social. Second, despite its continuing reliance upon methodological individualism (rational choice in the form of utility maximisation), it readily appropriates and transforms the language and concepts of social theory.

This has a number of effects. It literally socialises economics, rendering a semblance of reasonableness—as markets and the economic are perceived to be imperfect and complemented by the non-market and the non-economic. Indeed, other than within the technical virtuosity of mainstream economics itself with its formal, axiomatic and deterministic models, a veil tends to mask the origins of

the new economics imperialism in its dependence upon the rational choice approach. In effect, the old economics imperialism has only been modified to a limited extent with the acknowledgement of imperfect information as an analytical instrument. Yet, in practice, on this basis alone, there is an extraordinary increase in the scope of what it is considered can be reasonably incorporated. Thus antipathy to Becker has always been strong amongst numbers of his fellow economists. They take the view that he does not go far enough in his understanding of the basis for human action and that he goes too far in the application of his 'economic rationality' to all walks of life, often in the context of an as if perfectly competitive partial equilibrium. Thus Akerlof, a leading proponent of the new economics imperialism, lampoons Becker (as leading representative of the old) by reference to Paul Samuelson's image of Milton Friedman as having learnt to spell banana but not knowing when to stop!¹⁵ The new vocabulary of asymmetric information has inspired a whole range of 'new' fields, rather than Becker-like eccentricities. These lie within economics itself or straddle the boundaries with other disciplines—the new institutional economics, the new household economics, the new economic sociology, the new growth theory, the new labour economics, the new financial economics, the new development economics, the new economic history, the new economic geography and so on.

Despite its ambition, the new economics imperialism does not have everything its own way. How it is received and incorporated by other disciplines across the social sciences is uneven in extent and content by topic as well as by the disciplines themselves. The study of consumption, for example, has essentially remained untouched, not surprising in view of its postmodernist preoccupation with the meaning of objects, but is now moving in the direction of material culture.¹⁶ Yet this has not prevented civil wars and ethnicity, for example, from being seen as a consequence of the informational problems of communication and contracting! On the other hand, with the retreat from postmodernism, the social sciences have garnered a renewed interest in the economic, one that is being heavily courted by the new economics imperialism. There is, then, a tension between the convenience of accepting the products being offered by a colonising economics and a traditional, and justified, suspicion from social theory of the methodology of the discipline from which they derive. To this must be added two further factors. One is to emphasise the collective loss of wisdom of political economy that has been the least palatable bequest of postmodernism through its obsessive rejection of anything that can be labelled as an '-ism', other than itself and, especially in this context, structuralism, functionalism, economism and Marxism. No structures, no functions, no Clinton ('it's the economy stupid') and no capital(ism). Further, the parlous state of political economy within the social sciences is unfortunately complemented by a complete intolerance for alternatives within mainstream economics that has now become so extreme as to threaten the survival of heterogeneity, except at the narrowest of margins.

The conclusion I draw from these remarks is that there will be no serious debate over the economy and economics within the discipline of economics itself. This does not, however, mean that economists will not be participants in the debate. Rather, with controversies over the economy and the economic liable

to be situated across, and prominent in, the other social sciences, economists will participate directly and exert influence indirectly through the previously outlined contours of economics imperialism. As a result, the prospects for economics discourse remain remarkably open. For, as already suggested, the impact of economics imperialism is itself both uneven and heterogeneous across the other social sciences, and this is complemented by a traditional distrust of economics and economists if, at times, from a position of ignorance if not prejudice.

Globalisation and social capital

Against the background of these observations on the intellectual character of our times, the emergence and significance of (the idea of) globalisation can be understood as most apt in view of its synthetic role. To coin a phrase, if it did not exist, they would have to invent it—and so they have. This is not the place to review the globalisation literature, but major elements can be highlighted in light of the above. First, the rise of globalisation does signify the dual retreats of postmodernism and neoliberalism. On the former score, globalisation is inevitably drawn to material forces, to homogenising factors, to systemic properties of capitalism, and to the impact of conflict and resistance however futile in their perceived effects. Yet postmodernism has not been entirely cleared away, for globalisation is pervasive both spatially and far beyond the economic sphere, incorporating whatever X-scapes are deemed appropriate.

On the other hand, globalisation has its origins in the extension of neo-liberalism to its logical extreme and conclusion—a single world market unimpeded by nation-states or international organisations. In short, it is free market virtualism run riot in concept and deed. As Beck puts it in his apocalyptic (and ridiculous) vision:

The neo-liberals have won, even against themselves. The national state has been cleared away ... the 'Deutsche Bank' ... is now called the 'World Bank' ... Similarly, in place of the United Nations, an organization has appeared which calls itself United Coca-Cola.¹⁷

However, just as neoliberalism inspired its alter ego in setting an agenda of market vs. the state, so globalisation has elevated the same issues to the fore, albeit on a world scale. Essentially the developmental state, as the analytical, empirical and policy counterpart to the *laissez-faire* approach, is reproduced in the literature that has insisted upon the continuing salience of the nation-state despite, or even because of, globalisation. In this case, on a much wider disciplinary terrain than the 'political' and 'economic' schools concerned with the developmental state,¹⁸ the globalisation literature has been swamped by an insistence upon the abiding relevance of the nation-state. The same point, at higher or lower levels than the nation-state, is captured by the notion of 'glocalisation'.

Second, as with most academic fashions, globalisation has allowed the traditional concerns of social theory to be revisited. It is a moot point whether such theory has been replicated at a global level or transformed by the shift in

location.¹⁹ What almost inevitably does change is the tone and emphasis of the analysis. Globalisation has been caught by, has captured and, ultimately, has accelerated the retreats from postmodernism and neoliberalism, not least in the emergence of concerns around national sovereignty. At the very least, the Third Way, best understood as the politics of our new intellectual times, seeks to compromise between accepting the desirability and inevitability of globalisation and tempering its worst effects. Otherwise, there is a remarkable affinity between extreme right and left in understanding globalisation (itself scarcely a new phenomenon), the only difference being whether they embrace or reject it.

Third, the globalisation literature has a complex and peculiar relationship to economics imperialism, partly because both straddle so many different topics and partly because both are rapidly evolving alongside and in relation to one another. One element is the extent to which the pure model of globalisation is taken to be finance, not least because of its supposedly instantaneous speed and spread. Finance as metaphor for globalisation is almost inescapable. But it is fundamentally flawed for two reasons. Finance is not infinitely elastic across time and place, nationless and footloose, as is always blatantly revealed by the slightest crisis. So the metaphor itself is false. In addition, it makes no sense to construct the globalisation of this, that or the other by reference to its being or not being like (a false picture of) finance. Paradoxically, the new form of economics imperialism does itself reject the idea of undifferentiated globalised finance. Drawing, inevitably, upon the prevalence of asymmetric information between borrowers and lenders, it is argued that national financial systems differ according to the institutional relations that exist between banks and industry (to enable flows of information and trust), with corresponding differences in the composition of financial markets.²⁰

The reason why finance stands as metaphor for globalisation is because it is deemed to represent a perfect market. In the wake of neoliberalism, it is often presumed that all economists, and especially those wedded to the mainstream, are committed to some academic version of neoliberalism, as if the profession is increasingly made up of some unholy alliance of Friedman and Hayek. It leads to the illusion that rejecting neoliberalism and the pure form of globalisation, except for finance, is tantamount to launching a critique of economics itself. As has just been illustrated by finance, this at best works with a model of economics and economists that is out of date and off the target. Further, the colonising designs of the new form of economics imperialism are simply overlooked and can easily be readily and unwittingly embraced.

But, fourth, how does the new form of economics imperialism itself handle globalisation? It does so only with considerable discomfort relative to the aspirations of the other social sciences. In part, this is because of its ultimate dependence upon methodological individualism. This does not allow for systemic analysis of any depth for which the globalisation literature is groping. Rather, economics can only understand globalisation in piecemeal terms—focusing on greater or lesser freedom in the international movement of trade, finance, technology, etc. Significantly, here, economics and economics imperialism have been most active in the new or endogenous growth theory, seeking to explain differences in performance between national economics on the basis of

any number of variables—economic, political, social and cultural—that are thrown in the crudest fashion into statistical regressions.

Fifth, it is precisely because of dissatisfaction with such vacuous, if technically demanding and intimidating, procedures that the globalisation literature has sought to provide alternative and innovative analytical perspectives. Particularly prominent, popularised by Giddens, are ideas around the compression of time and space, with the cliché of global village serving as icon.²¹ Ironically, such perspectives share some of mainstream economics' worst features. Whilst purporting to address the specificity of late twentieth century capitalism, and beyond, such concepts are entirely ahistorical and asocial (although this has the added advantage that the history, the social, the personal, and anything else for that matter, can be incorporated at any stage). Further, if necessarily with differences in imagery, the notion of compression of time and space is deployed as a metaphor for globalisation, very much like money. Indeed, the two can be run together in the idea of deepened but electronically communicated money markets. But globalisation as compression conjures up the picture of cutting through lead with the speed of light as opposed to floating like a feather over garden cities or rural landscapes. Yet there is an immediate contradiction, especially from a topological point of view. To the extent that space and time are both compressed, absolutely nothing changes. We go twice as fast but we have twice as much in density to traverse!

Counterposing the global with the local, the state, X-scapes, or with time and space, especially in the context of systemic or holistic analysis, can be interpreted in dialectical terms, as an evolving dialogue between two or more opposites. Doing so has the advantage of breaking with the notion of equilibrium that is so pervasive in all of mainstream economics. But it also raises two fundamental issues—the nature of the dialectic itself and the appropriate choice of the forces, factors, trends, tensions or contradictions that are to be set against one another. The globalisation literature is replete with answers, often implicit, to such questions. Not surprisingly, they tend to be self-serving, with the nature and content of the opposition between globalisation and its antithesis, reflecting and reproducing prior theoretical choices and empirical dispositions. This is especially true, for example, of both sides in debate over the powerless state, or in arguing the case for or against homogeneity/heterogeneity more generally through 'glocalisation'.

In short, the globalisation literature has dialectically negotiated the retreats from postmodernism and neoliberalism and the rise of the new form of economics imperialism, whilst reproducing and transforming its own traditions. Not surprisingly, the results are mixed in quality, content and direction, and future prospects remain open. Whilst much of the foregoing discussion might be considered to be critical of the literature, the latter does have much to commend it. I will seek to demonstrate this by reference to a parallel literature that has emerged alongside globalisation, even if with a lag and lesser volume. Social capital's leading proponent, Robert Putnam, has been reckoned to be the most widely cited author across the social sciences in the 1990s. Table 1 records citations for globalisation and social capital, taken individually and together in the sense where both appear in a single article, as keyword or whatever. That the

TABLE 1. Social Science Citation Index (SSCI) citations

	Globalisation*	Social Capital (SC)	Globalisation and SC
1990	23	1	0
1991	47	0	0
1992	52	2	0
1993	68	2	0
1994	72	3	0
1995	100	12	0
1996	173	14	0
1997	669	14	0
1998	1350	62	1
1999	1521	117	2
2000	2088	144	3
2001	2366	211	14
2002	2835	244	5
2003**	2664	262	10

* Based on keyword search, using globali* for globalisation, etc.

** Run on 2 January 2004.

figures in the last column should be so small is striking and will be taken up later. Globalists and social capitalists are not talking to one another!

I have written so extensively, and critically, about social capital that I will confine remarks here to a few assertions for the purposes of comparison with globalisation.²² First, what is social capital is as difficult to pin down as what is globalisation, although social capital is about non-economic resources with an economic and other effects. As the old saying goes, 'it's not what you know, it's who you know'. It is about 'contacts'. What do we mean by this? At the simplest level, it is networks, whether formal (joining bowling clubs in the USA according to Putnam) or informal (as in your extended family and neighbourhood). Yet people can 'belong' in different ways: they can share values, ethnicity, custom, cultures, religions, classes, gender and so on. In short, both social capital and globalisation are definitionally elusive, if not chaotic, and both have their dark side—as in the Mafia, fascism, etc. for social capital.

Second, they share a rapid rise in common across both academic and popular discourse, offering analytical, empirical and policy perspectives. All can participate from their own perspective—from scholars to the wider community of activists, politicians and media gurus.

Third, both have a gargantuan appetite both in terms of subject matter and methodologies. Social capital, for example, has been applied to the sick, the poor, the criminal, the corrupt, the (dys)functional family, schooling, community life, work and organisation, democracy and governance, collective action, transitional societies, intangible assets or, indeed, any aspect of social, cultural and economic performance, and equally across time and place.

Fourth, whilst both take neoliberalism as point of departure, here their differences begin to open up. For the notion of social capital is profoundly

ahistorical and asocial. As a result, it is fundamentally complicit with, and an ideal complement to, economics imperialism in its latest phase. Social capital has even proven attractive to mainstream economists in such endeavours. For economists, social capital is simply everything else after other more traditional forms of capital have been taken into account, with these understood as physical, natural, financial or human. Transparently, the effect is to add the social to an otherwise unchallenged economic, albeit made up of market imperfections. Such a ludicrous posture is at its most extreme in the case of mainstream economics for which capital is a physical or other asset that ultimately provides a stream of utility to individuals, a universal, ahistorical and asocial thing rather than a definite economic relationship, with associated structures, relations and processes for the generation of profit. The contrast with much of the globalisation literature is sharp given its focus on systemic forces underlying contemporary capitalism.

Fifth, social capital, unlike the globalisation literature, has drawn its inspiration, often unwittingly, from rational choice sociology, with James Coleman as initiating source (at the expense of the earlier, more progressive and contextual contributions made by Pierre Bourdieu, designed to address issues of power, conflict, oppression and stratification). As a result, although able to incorporate anything in principle, it is far from neutral in practice in terms of its own dynamic and content. In particular, it tends to set aside the role of the state, trade unions, formal politics and classes even though these might be thought to be the major sources of 'social capital'. As social capital is also concerned to generate self-help at the level of the community or civil society, through the positive sum outcomes derived from cooperation, it otherwise studiously ignores questions of economic power and inequality, not least at the international level.

In short, there are significant differences between social capital and globalisation in their intellectual orientations and momentum. In this light, their otherwise astonishing lack of overlap can be explained. Whilst globalisation does reach down to the local, it inevitably does so by reference to conflict, resistance and power. Social capital never traverses the opposite route, confining itself to civil society within national boundaries as if international networks, associations and values were non-existent. One is left wondering how globalisation, however understood, ever got going without the 'glue' that holds society together and the 'missing link' in development that have been credited to social capital.

From Washington to post-Washington consensus

These expressions have been taken from the World Bank in its adoption and fanatical promotion of social capital over the last decade. This is part and parcel of a broader sea-change in its rhetorical and intellectual stances. Inspired by its erstwhile chief economist, Joe Stiglitz, who managed both to be sacked by the Bank and, shortly afterwards, to receive the Nobel Prize for economics, the neoliberal Washington consensus has given way to what he has termed the post-Washington consensus (PWC). In a nutshell, the PWC is the new economics imperialism applied to development studies (the new development economics) just as the old consensus relied upon the old form of economics

imperialism, neoliberal appeal to the market.²³ Indeed, Stiglitz is the leading exponent of the new information-theoretic economics and had already put the new development economics in place at least a decade earlier.²⁴ For him, developing economies are simply characterised by a high incidence of market imperfections and poor institutions to resolve them. More recently, Stiglitz and Hoff are explicit about the nature of the new development economics and its relationship to the old, simply taking the neoclassical model of perfect competition as point of departure, for:

In leaving out history, institutions, and distributional considerations, neoclassical economics was leaving out the heart of development economics. Modern economic theory argues that the fundamentals {resources, technology, and preferences} are not the only ... determinants of economic outcomes ... even without government failures, market failures are pervasive, especially in less developed countries.²⁵

Further, with casual reference to the Black Plague, as an illustrative accident of history, and multiple equilibria, an explanation is provided for the fundamental problem of why 'developed and less developed countries are on different production functions', a telling way of characterising developed and less developed in itself:

We emphasize that accidents of history matter ... partly because of pervasive complementarities among agents ... and partly because even a set of dysfunctional institutions and behaviors in the past can constitute a Nash equilibrium from which an economy need not be inevitably dislodged.

This is the light in which to view Stiglitz's Nobel citation for 'being one of the founders of modern development economics'.²⁶ The implication is that both markets and institutions must be the targets of economic and social policy, together with less austerity and less extreme stance towards the state than for the Washington consensus. In the event, such perspectives, taken to their logical conclusions in policy debate, have proven too radical for the World Bank, and Stiglitz was forced to resign. But the rhetoric of post-Washington consensus, and its information-theoretic approach to development, has survived and prospered. This has allowed the international financial institutions (IFIs) to negotiate and survive their crisis of legitimacy during the mid 1990s, to present themselves as more people-friendly, to extend their scope of interventions from the economic to the social, and to leave adjustment policies otherwise much as before.

The result, in other words, has been 'mission creep',²⁷ although canter followed by gallop might be more appropriate metaphors. An indication of how shifting rhetoric can be misleading is provided by the World Bank's recent proposal to reallocate billions of dollars for infrastructural funding from IDA, International Development Assistance, which makes concessional loans to governments, to the IFC, International Financial Corporation, which lends exclusively to the private sector.²⁸ Meanwhile, the IMF's discovered commitment to poverty alleviation is marked by the appointment of Anne Krueger as chief

economist in place of Stanley Fischer. She was Stiglitz's predecessor at the World Bank in the 1980s and pioneered and inspired the Washington consensus. As Stiglitz himself comments:

That ideology reigned supreme throughout Mr. Fischer's tenure. By naming Anne Krueger as his replacement, however, the IMF has elevated one of orthodoxy's high priestesses, and this signals a stubborn adherence to the failed past rather than a hopeful direction for the future.²⁹

Astonishingly, the commitment to poverty alleviation, represented by the introduction of Poverty Reduction Strategy Papers, PRSPs, supported collectively by all of the leading IFIs and most official donors, is based on a macroeconomic model of financial programming that effectively excludes consideration of poverty! It assumes a single labour market (no low wages in rural areas for example) and full employment.³⁰

In analytical terms, though, the PWC has more often sought to set a more moderate agenda for development studies than the earlier neoliberal dogma of the Washington consensus. Then, it was a matter of state versus the market, with the neoliberal consensus setting the terms of reference for its opposition, one that successfully if often ineffectually established the significance of the state for economic development. Now, the PWC has appropriated that opposition and reconstructed it within the terms laid down by the new information-theoretic economics. We are being induced to understand development and the role of the state, history, institutions, customs and culture, etc., as if they reflect the incidence of market imperfections, primarily at a national level. As already hinted, this leaves the World Bank and its followers in some discomfort when it comes to concepts such as globalisation that tend to incorporate a more critical and wide-ranging content—lest it be to ameliorate the worst excesses of the free market.

But the posture of the PWC can be captured in another way—by comparison with the one that preceded the Washington consensus, the era most closely associated with Robert McNamara's period at the World Bank. This was wedded to Keynesianism, welfarism and modernisation, and to extensive state intervention. Influence was sought in the immediate aftermath of decolonisation and the challenge from the Soviet system with an analytical cue taken from W. Rostow's *Stages of Economic Growth*, with the highly revealing subtitle, *A Non-Communist Manifesto*.³¹ Astonishingly, it has sold nearly 300,000 copies despite its virtual disappearance from attention over the past 20 years. It perceived development as arising out of the emulation of developed countries, stylising their progress through five stages, for which higher saving rates are imperative in taking off and sustaining growth. In this respect, the Soviet system could hardly be matched. Accordingly, it was dismissed (alongside Marxism) for its economic reductionism and failure to consider and promote the culture of entrepreneurship, and to bring about a corresponding revolution in customs.

The PWC is a pale shadow by contrast. It represents economic reductionism with a vengeance—a little more rounded than the Washington consensus in conceding that markets might work imperfectly but much broader in its ambi-

tions in addressing both economic and social issues—from civil society to good governance, for example. In arguably less conducive circumstances, it only allows a role for the state in case of piecemeal identification of market imperfections and some assurance that the cure is better than the disease.

In addition, as suggested, the principle and practice of the World Bank, the rhetoric and scholarship as opposed to the policies, diverge considerably and unevenly from one arena to another. In this, there is a continuity with the Washington consensus for which, and for neoliberalism more generally, the ideology of non-intervention serves as a veil for both extensive and discretionary intervention (otherwise, why so many policies for stabilisation and structural adjustment?). Even privatisation is a matter of how the state should intervene, not whether. In the case of the PWC, though, the rationale for intervention extends from the economic to the social and is readily wrapped up in more people-friendly terms. Yet, at the end of the day, the core conclusions tend to remain the same, as is astonishingly revealed by Bonnel's account of HIV/AIDS, for which issue X could readily be substituted whatever X might be:

Reversing the spread of the HIV/AIDS epidemics and mitigating its impact will therefore require three sets of measures:

- Sound macroeconomic policies ...
- Structural policy reforms ...
- Modifying further the system of incentives faced by individuals.³²

The Washington consensus is dead, long live the (post)-Washington consensus, *plus ça change, toujours la même chose*.

From globalisation to imperialism?

It is all very well to launch critiques of the globalisation, social capital, World Bank and other literatures for their weaknesses in economic analysis, but I am reasonably and frequently asked what are the alternatives. I suspect that this is in part a defensiveness against the criticisms, motivated by the wish to proceed regardless. It is also in part a genuine desire for an alternative but more often by way of an analytical fix. Give me a bit of political economy that I can slot into my analysis in order to deliver it sound foundations in the material world.

This cannot be done, and the scholar must study political economy in its own right, in depth and in detail, and with the same commitment dedicated to other topics or disciplines. This is not, though, the place to round off critique neatly with a fully elaborated alternative, and there is no shortage of political economy for those who care to find it. Instead, in order to highlight what is required of contemporary political economy, I will engage in a brief dialogue with Lenin's *Imperialism*, an unduly neglected work in recent times, given its global gaze.³³ The intention is not to replicate, to update or to correct Lenin's analysis, but rather to draw lessons from it. In doing so, it is important to bear in mind that *Imperialism* is a pamphlet, with an eye to the censor, that it concerns a different

era that itself may be falsely represented both empirically and analytically whether by fault or by design.

Note, initially, that Lenin offers as the shortest definition of *Imperialism* that it is the monopoly stage of capitalism. This is remarkable for the complete absence whatsoever of any reference to the international or global. While the idea is to be rejected that a mighty oak tree can be grown from such an analytical acorn, the posing of the global as representing an economic stage of development independent of its international disposition is salutary. Moreover, especially with the declining fashion for post-Fordism or 'flec-spec', contemporary capitalism must surely be understood in terms of a political economy of large-scale capital—its accumulation, its labour processes, its horizontal and vertical integration, its relations to finance and commerce, and so on.

These issues are taken forward by Lenin in terms of the five basic features of imperialism that he highlights. These are the concentration of capital, the merging of banking and industrial capital, the export of capital over and above the export of commodities, the formation of international cartels, and the territorial redivision of the world. I want to recast these with a stronger analytical and empirical content. Monopolisation apart, Lenin is addressing the internationalisation of capital (and not just export of capital goods or fixed capital). In Marxist terms, this involves the internationalisation of the circuit of capital as a whole, and its three forms, of commodity, money and productive capital. Only after Lenin's study has the internationalisation of production come to the fore in the form of transnational corporations.

Lenin's appeal to the merging of banking and industrial capital is unduly influenced by German experience and reliance upon a narrow reading of Hilferding's *Finance Capital*. It does, however, point to the inevitable articulation of industry and finance, albeit in a variety of forms at national and international levels. In addition, over the past three decades, capitalism has been marked by the increasing significance of finance at the expense of industry. It is estimated, for example, that at least 20 per cent of employment in both New York and London is devoted to financial services, 443,000 and 617,000 workers, respectively.³⁴ And, despite the claims of neoliberalism and some adherents to globalisation, the other major shift since Lenin has been in the extraordinary rise of the state in terms of both its economic and non-economic interventions.

These factors ought to be uncontroversial and readily transparent to those who care to see them. The territorial redivision of the world does, however, seem to belong to a bygone era of world wars or, at least, the Cold War. But Lenin's analysis was founded upon a tension between inter-imperialist rivalry and cooperation for which the former was uppermost at his time of writing towards the end of the First World War. The Cold War was also marked by cooperation in designating socialism as enemy and in containing and constraining it. In addition, Lenin complemented his study of imperialism with an analysis of the labour aristocracy. In crude form, this suggested both that the workers of the imperialist powers benefited from the poverty of the colonies and that they were stratified themselves and betrayed by their economistic trade union leaders.

Such propositions simply do not stand up to close scrutiny. It is much more appropriate to understand the labour aristocracy as a metaphor. For what Lenin

sought to explain and to criticise was the failure of working class movements to progress beyond supporting their own national governments in inter-imperialist wars and rivalry. Appeal to the labour aristocracy as decisive influence is little more than a crude, causal proxy—by appeal to vulgar self-interest and running roughshod over the complexity, diversity, composition and content of working class movements. Nonetheless, the political and ideological parallel in the postwar period has, until the last decade, been the ready acceptance of the Soviet Union as enemy and, by way of guilt by association, an antipathy to socialism as anything other than the more humane and efficient management of capitalism.

All of this raises the issue of how to characterise the current period of capitalism, beyond pointing to the internationalisation of capital in all of its form, the hegemony of finance and the continuing salience of the nation-state. Brenner, for example, focuses on trade competition between the USA, Germany and Japan from a theoretical perspective of intra-capitalist competition for markets (at the expense of inter-class competition between capital and labour).³⁵ In doing so, he tends to reduce finance to an aspect of macroeconomic performance in the traditional sense of stimulating demand, or not, and distributing it between domestic production and imports (and allowing for rentier income). He neglects the role of finance as one of the most important levers in the restructuring of productive capital (centralisation as opposed to concentration in Marx's terminology). The result of the rise of finance over the past 30 years has been the inescapable expansion of speculative (fictitious) capital across burgeoning financial markets of all shapes and sizes—from pension funds to forward commodities. This has limited the expansion, extension and restructuring of productive capital within and across national borders, with the economies of the poorest countries being especially hard hit. Yet the diagnoses and prognoses of the IFIs always take sound (and liberalised) finance as their first and foremost call upon policy making, further expanding the realm of fictitious capital and its debilitating effects.

The fierce debate around Brenner has primarily concerned his political economy in the abstract and his apparent rejection of Marx's value theory.³⁶ This is significant in revealing the importance of such theory, how much it is contested, how limited it is in scope of practitioners, and how further limited has been its application to the understanding of contemporary capitalism. Whatever his limitations, Brenner is to be congratulated for having addressed the nature of the economics of contemporary capitalism without, it might be noted, any irreducible reference to globalisation. How appropriate too that he should be an economic historian (like Rostow before him!), setting the precedent for other 'non-economists' to follow. In this respect, a major stumbling block, if not prejudice, is the idea, inherited from postmodernism, that economics or the categories of political economy are reductionist and/or deterministic without allowing the material and cultural to be satisfactorily integrated in the retreat from postmodernism. Of course, this can be the case especially with the formal mathematical models and statistical techniques of mainstream economics. But categories such as 'capital', 'commodity' and 'value' are traditionally understood as reflecting economic and social relations and content. While it is

reasonable to focus in the first instance on the accumulation of capital, this does not preclude incorporation and analysis of the non-economic.

In the rarefied world of academia, such concerns have often been contested, for example, in the context of the meaning of commodities (in consumption) and how these are related to economic factors (or not). But such issues are germane to a much broader and more important understanding of the nature of contemporary capitalism. No one can doubt, for example, the leading position occupied by the USA in inter-imperialist cooperation, and the current balance of cooperation over rivalry. The USA has an imperative of intervening militarily as and when it chooses, and of defending and promoting its perceived economic and political interests. Such selective interventions are being clothed in the language, rationale and mores of western social democracy—of human rights and anti-terrorism—the bully seeking out the weapons of mass destruction that it does itself command. Further, the contours of rivalry to US hegemony are weak and fragmented, as are the forces of resistance, from the Second and Third Worlds as well as around traditional and new sources of opposition, from trade unions and liberation movements through to the new social movements. Nonetheless, the rich and varied history of the twentieth century suggests that change can be rapid and either progressive or reactionary, both clarifying underlying realities and revealing them with blunt brutality. Both capital and capitalism must be understood as material and cultural categories in exposing and contesting US hegemony.

Capital and class

In many respects, the ease and relief with which globalisation and social capital have been grasped highlight both the need for political economy and the failure to provide it. For globalisation, whether applied to the economy itself or to its effects, a systemic analysis of underlying forces is essential. The idea of globalisation, especially with finance as metaphor, and its ready attachment to conflict and contradiction at different levels of analysis, is a poor substitute for a satisfactory understanding of contemporary capitalism. On the other hand, the terminology of social capital draws attention to the systemic (as social) and to the economic (as capital), but it is even weaker than globalisation in comprehending capitalism.

In various ways, and to a greater or lesser extent, economics imperialism will attempt to fill the void created by the intellectual retreats from the worst excesses of postmodernism and neoliberalism, not least in informing the content of the post-Washington consensus, globalisation and social capital. Yet, properly examined and seductive though it may be, there is no escaping how alien to other social sciences is mainstream economics in itself and in its colonising designs on other disciplines and topics. As a result, the prospect is one of controversy over the appropriate political economy with which to understand contemporary capitalism in general and development in particular. If we take the political economy of capital and capitalism as our starting point, rather than the optimising individual in a world of asymmetric information, the following problems come to the fore:

- What is the relationship between classes and the state and how do they resolve and sustain a system of accumulation?
- What is the relationship between the financial and industrial systems in the process of accumulation?
- What are the trends and tensions in the internationalisation of capital, by type of capital, and by sector origin and destination?
- What are national differences in systems of accumulation?
- Why are apparently miraculous and sustained periods of economic growth punctuated by crises?
- What is the relationship between economic and political systems and how can they be addressed by a genuinely interdisciplinary approach?
- How do the new world order, US hegemony, and the factors associated with 'globalisation' impact upon the prospects for development?

These issues have long been addressed and debated by radical political economy. In light of the prospective intellectual environment outlined above, it is an opportune moment to place the theory of capital and of capitalism on the developmental agenda and to pursue alternatives to intellectual fashions and new orthodoxies with courage and conviction. In short, for globalisation, we need to avoid the advice offered by Ambrose Bierce in *The Devil's Dictionary*, 'Fashion—a despot whom the wise ridicule and obey'.³⁷ Instead, to deploy the vernacular, we need to deconstruct and reconstruct globalisation in light of the political economy of contemporary capitalism.

Notes

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1. I will begin by placing globalisation in inverted commas as my main concern is with the idea of globalisation, although, at times, its use will refer to the material processes that it is deemed to represent. After dropping inverted commas, meaning should be clear in context.
2. David Harvey, *Spaces of Hope* (Edinburgh University Press, 2000), p. 13. Harvey continues: 'Does it [globalisation] describe something essentially new?'. This is to raise issues concerning both the distinct nature of contemporary capitalism and how it comes to be represented ideologically and analytically. These problems are addressed on occasion throughout what follows.
3. David Harvey, *Justice, Nature and the Geography of Difference* (Blackwell, 1996), p. 429.
4. Goran Therborn, 'Introduction: From the Universal to the Global', *International Sociology*, Vol. 15, No. 2 (2000), pp. 149–50. See also Table below.
5. Goran Therborn, 'Globalizations: Dimensions, Historical Waves, Regional Effects, Normative Governance', *International Sociology*, Vol. 15, No. 2 (2000), pp. 151–79.
6. Arjun Appadurai, *Modernity at Large: Cultural Dimensions of Globalization* (University of Minnesota Press, 1996).
7. Ulrich Beck, *What is Globalization?* (Polity, 2000).
8. Ash Amin & Nigel Thrift, 'Living in the global', in: Ash Amin & Nigel Thrift (eds), *Globalization, Institutions, and Regional Development in Europe* (Oxford University Press, 1994), pp. 257–60.
9. David Harvey, *The Condition of Postmodernity: An Enquiry into the Origins of Cultural Change* (Blackwell, 1990).
10. Ian Woodward *et al.*, 'Consumerism, Disorientation and Postmodern Space: A Modest Test of an Immodest Theory', *British Journal of Sociology*, Vol. 51, No. 2 (2000), pp. 339–54.

11. On this and other aspects of the individual within economics, see J. Davis, *The Theory of the Individual in Economics: Identity and Value* (Routledge, 2003).
12. For an exception that proves the rule despite protests to the contrary, see S. Cullenberg *et al.* (eds), *Postmodernism, Economics and Knowledge* (Routledge, 2001).
13. James Carrier & Daniel Miller (eds), *Virtualism: The New Political Economy* (Berg, 1998).
14. Ben Fine, *The World of Consumption: The Material and Cultural Revisited* (Routledge, 2002), ch. 2, for a discussion in the context of globalisation.
15. George Akerlof, 'George A. Akerlof', in: Richard Swedberg (ed.), *Economics and Sociology, Redefining Their Boundaries: Conversations with Economists and Sociologists* (Princeton University Press, 1990).
16. Fine, *The World of Consumption*.
17. Beck, *What is Globalization?*, pp. 161–2.
18. For the distinction between the two schools, see Ben Fine, 'Beyond the developmental state: towards a political economy of development', in: H. Hirakawa *et al.* (eds) *Beyond Market-Driven Development: A New Stream of Political Economy of Development* (Nihon Hyoron Sha, 2001), in Japanese, with English edition to follow.
19. Jens Bartelson, 'Three Concepts of Globalization', *International Sociology*, Vol. 15, No. 2 (2000), pp. 180–96.
20. For critical exposition of the new financial economics, see Sedat Aybar & Costas Lapavistas, 'Financial system design and the post-Washington consensus', in: Ben Fine *et al.* (eds), *Development Policy in the Twenty-First Century: Beyond the Post-Washington Consensus* (Routledge, 2001), pp. 28–52.
21. Anthony Giddens, *Runaway World: How Globalisation is Reshaping Our Lives* (Profile, 1999).
22. See, for example, Ben Fine, *Social Capital versus Social Theory: Political Economy and Social Science at the Turn of the Millennium* (Routledge, 2001).
23. For critical exposition of the post-Washington consensus and its relationship to the Washington consensus, see Fine *et al.*, *Development Policy in the Twenty-First Century*.
24. Joseph Stiglitz, 'Markets, Market Failures and Development', *American Economic Review*, Vol. 79, No. 2 (1989), pp. 197–202.
25. Joseph Stiglitz & Karla Hoff, 'Modern economic theory and development', unpublished paper presented to symposium on *Future of Development Economics in Perspective*, Dubrovnik, 13–14 May 1999.
26. Nobel Prize website, *Markets with Asymmetric Information*, Advanced Information, available at <http://www.nobel.se/economics/laureates/2001/public.html>.
27. David Moore, 'Levelling the Playing Fields and Embedding Illusions: "Post-Conflict" Discourse and Neo-Liberal "Development" in War-Torn Africa', *Review of African Political Economy*, Vol. 27, No. 83 (2000) pp. 11–28.
28. Privatisation creep in other words. See World Bank, *Private Sector Development Strategy: Issues and Options*, first released in June 2001, and for a critique Kate Bayliss & David Hall, 'A PSIRU Response to the World Bank's Private Sector Development Strategy: Issues and Options', University of Greenwich, available at <http://www.psiru.org/reports/2001-10-U-wb-psd.doc>.
29. Joseph Stiglitz, *The IMF's Missed Opportunity*, Project Syndicate, available at: http://www.project-syndicate.org/series/series_text_en.asp?id=663.
30. See Ben Fine & Degol Hailu, 'Convergence and consensus: The political economy of stabilisation, poverty and growth', mimeo, available on CDPR website, School of Oriental and African Studies, University of London, 2003.
31. First published in 1960, third edition 1990, Cambridge University Press.
32. Rene Bonnel, 'HIV/AIDS and Economic Growth: A Global Perspective', *South African Journal of Economics*, Vol. 68, No. 5 (2000), p. 849.
33. Although, at time of writing, Lenin's pamphlet hit the top ten of books on international affairs.
34. For the UK, the contribution of financial services to GDP has risen from 13 to 25% between 1970 and 1999. For overview of the globalisation of finance, see Kavaljit Singh, *Globalisation of Finance: A Citizen's Guide* (Zed, 1999).
35. See Robert Brenner, 'The Economics of Global Turbulence', *New Left Review*, No. 229 (1998), pp. 1–264, and *The Boom and the Bubble: The US in the World Economy* (Verso, 2002).
36. See collections in *Historical Materialism*, Nos. 4 and 5, (1999); and Ben Fine *et al.*, 'Addressing the World Economy: Two Steps Back', *Capital and Class*, No. 67 (1999), pp. 47–90.
37. Cited in Daniel Purdy, *The Tyranny of Elegance: Consumer Cosmopolitanism in the Era of Goethe* (John Hopkins University Press, 1998), p. 74.

