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The Commitment to a Liberal World Market Order as a Hegemonic Practice: The Case of the USA

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Abstract:

The ability of a nation to exert hegemony in world markets rests on the hegemony of a group of "internationalists" within that nation. In the USA the hegemony of the internationalists was based on their control of the most productive segments of the economy, on the trade surpluses of the early post-war years, on the their ability to secure raw materials from abroad, on the belief that the Great Depression had been deepened by protectionism, and on anti-communism. Since 1971 trade deficits and, more recently, the end of the Cold War, have undermined some of these foundations of their hegemony. Yet they were able to contain protectionist challenges and even to achieve further liberalization (e.g. NAFTA).

The internationalists maintain their hold on U.S. foreign economic policies by strategic behavior which is supported by the fact that their hegemony is inscribed in the structure of the American state, that the process of internationalization increases the number of actors interested in liberal policies, that Keynesian policies have been discredited (and that therefore alternative policies lack theoretical support), that one of the main social forces against liberalization -- the trade unions -- has been severely weakened, and that the American public supports U.S. leadership in world affairs.

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In the immediate post-war period, the American commitment to a liberal world market order rested on its economic predominance and the perceived need to strengthen the ties with its Western allies in an effort to contain communism and the Soviet Union. Since 1971 trade deficits and, more recently, the end of the cold war have undermined these foundations.

Yet, American public policy remained committed to opening up U.S.

markets for imports and foreign investments. In fact, the free-market direction of public policy has just been confirmed by NAFTA and will be extended once the recently completed Uruguay-Round of the General Agreement on Tariffs and Trade (GATT) is ratified. The result has been a considerable increase in foreign trade and investment: the ratio of imports and exports to GNP increased from 6.7% in 1950 to 25% in 1990. In this paper I want to explore the reasons for the adherence of the United States to a liberal world market order despite the erosion of the foundations for its original commitment. My research will be guided theoretically by the Gramscian concept of hegemony, by the strategic-relational approach to political processes, and by the regulation approach to the political economy.

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A Framework of Analysis

In the immediate post-war era, "pluralists" and "realists" were at ease in explaining the dominance of free-traders.[1] Most industries displayed a foreign trade surplus and the United States of America reigned supreme among nations. After 1970, when the trade surplus turned into a huge deficit and when the United States' international predominance eroded, however, the American government continued to espouse a free trade rhetoric.

This continued commitment to a liberal world market order is no surprise to world-system theorists. It is claimed to be typical for a declining hegemonic core state. The shift toward financial services, the export of capital, and the transformation of the capitalists from entrepreneurs to rentiers is said to assure an internationalist outlook even in the face of declining industrial competitiveness. Furthermore, it is argued, that "once a national economy becomes organized in a certain way there is a tendency to crystallization around patterns which are then not easy to change"[2]. This line of argument can also point to historic precedent.

In a comparable situation of relative decline and mounting trade deficits, accentuated by rising tariffs in competing nations, neither the National Fair Trade League in the 1880s nor Joseph Chamberlain's idea of a "British Zollverein" around the turn of the century were able to change British free trade policy. Even the modest proposal of Prime Minister Arthur Balfour to impose

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selectively retaliatory tariffs sufficient to force concessions from trading partners did not fare any better. In fact, not the least on account of the campaign for tariff reform, Balfour went on to one of the worst electoral defeats in modern British political history.[3] About 20 years later, another Prime Minister, the Conservative Stanley Baldwin, was chastened out of office on the issue of tariff-reform.[4] Only in the course of the Great Depression did Britain finally adopt protectionist policies.[5]

Given the arguments of the world-system theorists and the historical precedent, any further research might seem superfluous. However, while the world-system arguments are very plausible, they have not been elaborated in any great detail. They also stand in an unresolved tension to the assertion that conflicting class interests over international economic policy do not allow the declining hegemon to engineer a core-wide alliance.[6] Furthermore, historical precedent, even if the situations are fairly comparable, can at best make one aware of a possible response to particular circumstances. The antecedent itself does not predetermine subsequent events. While the awareness of general tendencies in a capitalist world-system as well as of historical precedent can sensitize the research for recurrent phenomena, it cannot substitute for an analysis of the specific circumstances and causal factors. For such an analysis a theoretical concept has to be developed that can account for the political processes at stake.

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Specifically for the United States in the 1980s, Neo-Institutionalist have tried to find an explanation for the apparent contradiction between trading position and free trade rhetoric. This contradiction is explained in the tradition of Max Weber through the independent status of policy-makers. For example, Stephen Krasner has argued state actors try to represent the national interests. When confronted by a choice of interests, state actors would usually give priority to broader foreign policy concerns over more narrow economic interests, such as the inexpensive supply of raw materials.[7]

Similarly, Judith Goldstein has argued "that continued support for the liberal economic regime is a function of the acceptance by the policy-making community of a set of rules and norms."[8] This ideological consensus of decision makers rests on the belief that free trade is beneficial as long as all participants respect the rules. The recent increase in exceptions to the free trade rule, while upholding the rule in principle, fits well with these statist

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arguments. These types of arguments, however, cannot explain how the ideological consensus of state actors is formed and how it is reproduced. Furthermore, the assumed coherence and internal cohesiveness of the state bureaucracy in this Weberian tradition contradicts the institutional structure of the U.S. state, commonly described as decentralized, fragmented and relatively responsive to social forces. Even in the area of foreign policy, where according to Krasner a "strong state" exists, numerous state agencies and actors compete vigorously for policy authority. All attempts to create an effective, centralized trade ministry have so far failed.[9]

The belief that capitalist elites instrumentalize the state for their foreign economic interests dominates what might be called a heterodox political science tradition.[10] The free trade ideology of the state actors would therefore be the result of their dependence on dominant capital fractions. While the influence of dominant capital fractions must be considered in any explanation,

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the power elite theory falls short for at least three reasons. First, like pluralist approaches, it does not question state capacity. Second, it neglects unintended consequences of state actions as well as the unraveling of economic logic. Third, the state remains a "black box": this approach does not explore the relationship between society and the structure and functions of the state.

Materialist approaches seem to be more promising, since they examine the state as a system of political domination in the context of a mode of production. Yet, they risk interpreting the state as the ideal collective capitalist whose functions are determined "in the last instance" by the imperatives of econom ic reproduction.[11] I believe such economic reductionism can be avoided, however, by transcending the general concept of the capitalist state. This involves positioning the concrete political processes within state institutions in relation to dominant re gimes of accumulation and modes of regulation.[12] Such an analytical approach requires the analysis of
(a) the role of state structures and activities for the constitution and reproduction of specific forms of regulation;
(b) the "strategic selectivity " of the state within a specific mode of regulation; and

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(c) the strategies directed at the state by various social forces for the maintenance, modification, or transformation of specific forms of regulation.

The following discussion is in formed by this framework. Given the exploratory stage of this study, however, more attention will be given to strategies deflecting challenges to the U.S. government's commitment to a liberal economic world order.

The Hegemony of the "Corporate Liberal Establishment"

Free traders and advocates for broad -scale American international activism had gained dominance only during the administration of Franklin D. Roosevelt.[13] By the end of World War II they became hegemonic. The "conversion" of erstwhile i solationist Senator Arthur Vandenberg, chair of the Foreign Affairs Committee from 1947 to 1949, signaled the beginning of a bipartisan foreign policy consensus. The internationalists had become hegemonic in the Gramscian sense of leadership through the a ctive consent of other classes and groups.[14] Several economic and political interests converged: bankers eager to finance the reconstruction of

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Europe; major corporations happy to supply overseas markets with raw materials (especially oil) a nd machinery; policy elites concerned about a postwar depression, the defense of the U.S.A. in a "Grand Area," or the containment of communism. Since productivity was so much higher in the United States than elsewhere, the establishment of a liberal world trading regime held the promise of creating jobs in the U.S. by exporting goods to the rest of the world. In fact, almost all branches of the U.S. economy showed trade surpluses in the immediate postwar period. The transnational companies also served th e national interest by securing raw materials for the U.S. economy. The internationalists' project was facilitated by the common belief that the Depression had been deepened by protectionist measures.

The internationalists were also among the primary pr otagonists of the fordist project, i.e. the dynamic mode of growth that integrated the working class as consumers of durable goods.[15] Because of their control of the most productive segments of the U.S. economy, the internationally oriented capital grou ps were capable of integrating the material interests of important parts of the working class and other capital fractions.

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Anti-communism served to functions: it tied together the ideological bonds between the diverse classes and class fracti ons, and it satisfied diverse material interests through state intervention in the accumulation process via a "military Keynesianism." "Organic intellectuals" advanced the hegemony of the "corporate liberal establishment." They were especially prominent in the Council on Foreign Relations and among the anti -communist labor leadership.[16]

Alternative foreign economic policy concepts and especially protectionist demands had difficulties in reaching the executive. Most protectionist initiatives were effecti vely blocked by the "interaction mechanism" between congress and the administration.[17] The responsibility for the exchange rate policy rested in the hands of the Federal Reserve System and the Department of the Treasury. Both agencies were insulated fro m particularistic interests outside the financial community.[18]

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Trilateralism: A Response to the Nixon Shocks

The hegemony of the corporate liberal establishment, however, did not imply a tight rule over the business community, nor did the ruling block have exclusive access to the state. The influence of the internationalists on foreign economic policy was subjected to changing fortunes. Until the end of the 1960s, they dominated foreign policy thinking. Most social forces consented to th e establishment of a liberal world market order. The support of most trade unions was, however, lost in the late 1960s when foreign producers scored their first great successes.

In the Nixon-administration, the internationalists had to share power with groups of a more domestic -market orientation. This became painfully clear when, in 1971 -- the year of the first trade deficit since the turn of the century -- President Nixon abandoned the Bretton Woods Monetary Order and unilaterally imposed a ten percent import surcharge. The latter policy alarmed the internationalists since unilateral U.S. protectionist action would have seriously undermined the credibility of the free trade gospel. Several transnational liberals resigned their posts within the Administration and joined the effort of David Rockefeller to found the Trilateral Commission. The Commission set daunting tasks

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for itself, namely "to oppose a return to the mercantilist policies of the 1930s, to integrate Japan into the core of t he American alliance system; and to change the orientations of the foreign and domestic policies of the major capitalist powers so that they might become congruent with a globally integrated economic structure."[19] The Commission explicitly included CEOs and political consultants from Western Europe and Japan. Its credo was to overcome the nation state: "The public and leaders of most countries continue to live in a mental universe which no longer exists -- a world of separate nations -- and have great difficulties thinking in terms of global perspectives and interdependence."[20]

The objectives of the Trilateralists went further than criticizing Nixon for a lack of concern for the liberal world market order. Those Commission members affiliated with the Democratic Party were trying to regain domestic consent to and international legitimation for U.S. international activism that had been lost by the Vietnam war and by the cynical use Nixon and Kissinger made of Realpolitik.

Their solution was most forcef ully articulated by Zbigniew Brzezinski (the Trilateral Commission's first director): engage in a human rights campaign, share power with the Western allies, and respond to Third-World aspirations "within a framework of generally cooperative relations."[21]

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The Trilateralists were successful at first. The import surcharge was rescinded. With the demise of Nixon -- speeded, as Walter R. Mead suggests, through the influence of the foreign policy establishment on the Washington Post and the New York Times[22] -- the access of the Trilateralists to the executive was greatly improved. At the end of 1975, President Ford realized the idea of closer coordination among the Western powers by attending the first summit of the seven most powerful Wester n nations held at Rambouillet. In 1976, Richard Ullman of the Council of Foreign Relations could even claim that: "Among elites (...) trilateralism has become almost the consensus position on foreign policy."[23] The apex of the Trilateralists triumph was reached when their fellow member Jimmy Carter became President. Carter recruited most of his foreign policy staff from within the Commission and started in earnest the experiment to manage the world market (and world politics) in close collaboration with the most important allies.[24]

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The Limits of Trilateralism

At the end of Carter's tenure, the Trilateralists considered their own project as a failure. The revolution in Iran and the Soviet intervention in Afghanistan were both interpreted as resulting from a lack of Western determination. A decision -making structure built on consensus, they argued, could not adequately avert the challenges to the capitalist world order.[25] The allies also displayed little willingness to share in the cost s of maintaining the Pax Americana. West Germany's Chancellor Helmut Schmidt showed little inclination to support the Carter -administration's policies of economic expansion. He refused to defend the U.S. dollar. The Dollar's subsequent precipitous declin e in 1979 encouraged Carter to impose budget austerity and the Federal reserve to increase interest rates.[26] The world of nation states, which supposedly had already been overcome, had shown its nasty face.

These foreign developments did not simply cha llenge the idea of trilateralism. They also posed an immediate threat to the interests of the Commission's corporate members. Third World assertiveness translated into higher prices for raw materials, threatened their steady supply, and led at times to e xpropriation of assets. The weakness of the U.S. dollar imperiled the privileged role of U.S. banks in the world capital markets.

The critique of trilateralism on an international scale coincided with the rejection of tripartism in the dome stic arena. The Carter Administration had developed the concept of tripartite re-industrialization to manage the impact of growing foreign competition. This was to be jointly conceived and implemented by representatives of capital, labor, and the state. From management's perspective, however, tripartism perpetuated precisely what was perceived to be the main cause of uncompetitiveness: the accommodation of labor's interests. In contrast, political action "against" the state held the promise of improvin g industry's conditions of accumulation at the expense of the state. It would also give firms the freedom to pursue strategies to weaken labor or, if these failed, to move out of production altogether. The managers of industries in distress, with the exc eption of Chrysler, rejected Carter's offers for tripartite crisis management.[27]

In response to the international challenges and the new domestic agenda, many internationalists abandoned trilateralist "accomodationism" and turned to the unilateralist po sition espoused by the supporters of Ronald Reagan. U.S. interest were to be furthered by the "free play" of market forces. International cooperation was no longer considered necessary. Complaints of other countries, that the U.S. budget deficit and high dollar were distorting the international monetary and financial system, went unanswered.[28]

Instead, it was hoped that the unilateral actions would force other countries to pursue "structural (i.e., microeconomic) policy reforms to bring down inflation and free up labor, capital, and product markets."[29] Thus Reagan's unilateralism was not a rerun of Nixon's "domesticism," but a conscious attempt to project America's structural economic power abroad and set the conditions for its economic relations with other states. Internationalism was not abandoned. Rather, it was stripped of its "cosmopolitan" rhetoric and became firmly rooted in "national interests."

The limits of unilateralism, however, became apparent shortly after its adoption. When Mexico threatened to default on its loans, the liquidity crisis threatened U.S. banks. In response, the Reagan Administration negotiated a common debt crisis strategy with other creditor nations.

Moreover, the policy of strengthening the dollar ha d made imports ever more cheaper and ubiquitous. Hard -pressed domestic industries cried for protectionism. The Administration deflected these calls by a devaluation strategy. Yet, this presupposed cooperation with the other central banks, for unilateral action would have risked an uncontrollable flight out of the dollar. Thus, by the mid -1980s, the United States returned to cooperation. (Cooperation here should not be confused with harmony of interests).[30]

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Despite these obvious limits o f unilateralism, the return to a more cooperative strategy at least towards the Western allies was made possible precisely because unilateralism had achieved its main objective: averting the challenges to capitalist rule. The power of labor, both inside a nd outside of the United States, had been weakened. The terms of trade for raw materials deteriorated and the debt crisis forced many countries in the periphery to adopt a more 'welcoming' attitude to foreign enterprises.[31]

Using the Trade Deficit to Uphold Free Trade

The devaluation of the Dollar, however, did not bear the expected fruits. The trade deficit with Japan, in particular, kept rising. In order to deflect domestic protest, then -Secretary of the Treasury, James Baker, started a campaign to open-up markets for U.S. products worldwide.[32] The Trade Act of 1988 gave the Administration tools to retaliate against foreign discriminiation: Section 301 created a "'crowbar' that could, with the aid of threatened tariff retaliation, pry open foreign markets determined by the United States to be closed to its exports."[33]

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The trade deficit and the comparatively low level of export dependency have thereby provided bargaining power to U.S. trade negotiators. The economies of Japan and W estern Europe have become addicted to exporting to the United States. An exclusion from this market would cause severe domestic problems. Some companies have already bowed to this pressure tactic. For example, the German electric company Siemens was threatened with expulsion from the U.S. telephone market if it did not cease to oppose the opening of the West European markets for telecommunication equipment.[34] Most efforts, though, were directed against Japanese practices. They culminated in the Structural Impediment Initiative of 1990 which obliged Japan to make sweeping changes in domestic commercial practices. Thus, Baker's strategy aimed at placating domestic producers while regaining leadership initiative among OECD nations by spearheading the trade liberalization efforts. In other words the late Reagan and early Bush administrations tried to renew U.S. hegemony by furthering the hegemonic project of transnational capital.

By the summer of 1990, however, the American foreign policy establishment feared that the Structural Impediment Initiative might not suffice to suppress the calls for protectionism, since it

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was unlikely to produce rapid results. It was alarmed about reinvigorated isolationist forces given both the recession and the end of the Cold War. It urged domestic reforms to stem the tide. According to the president of the Council on Foreign Relations, Peter Tarnoff: "If ... the United States is consumed by its failure to resolve internal social problems, American leaders will have little political support for an activist international role."[35] On the foreign front, these voices called for more intensive tripartite consultation and even suggested that "the United States has to make the difficult adjustment from hegemon to partner."[36]

These suggestions went unheeded, as the decisive defeat over Iraq in March of 1991 temporarily reversed the relationship between domestic and foreign policy. For a short time, it appeared that international activism no longer required domestic prosperity and that it compensated for domestic failures. The victory over Saddam Hussein had symbolically rewarded the U.S. population for its support of the foreign activism of its elites. In addition, many U.S. companies were awarded lucrative contracts from Kuwait and Saudi Arabia. The foreign policy establishment had thus won a new license for international activism which it put to use by obtaining "fast-track" authorization from Congress for the negotiation of a

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free trade agreement with Mexico. This "window of opportunity" for active internationalism, however, was threatened to be shut by the beginnings of the Presidential campaign of 1992, in which all Democratic candidates were espousing some kind of "It's time to take care of our own!" theme. Pat Buchanan, the Republican challenger of President Bush, assumed a clear isolationist "America First" stand.[37]

Clinton's Industrial Policy Internationalism

Bill Clinton, the Democratic challenger most perceptive to internationalism, won the election on a platform that promised to reconcile the concern for domestic jobs with an internationalist agenda. Since taking office, Clinton has, on the one hand, more forcefully pursued the market access strategy with Japan. While his administration has not achieved commitments to specific market shares for U.S. products in Japan (a goal that was very much contested by the free trade community within the USA), Japan is about to agree to extend the semiconductor agreement to other industries such as automobiles, auto parts, and

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telecommunications. The semiconductor agreement of 1991 had set a numerical goal - but not a requirement - for improved market access.[38]

To what extent these agreements will reduce the growing trade deficits with Japan has to be seen. On the other hand, Clinton claimed strategies which would increase the competitiveness of U.S. businesses so that they could better take advantage of opportunities in world markets. This position had been ridiculed by the Reagan free-marketeers throughout the 80s. Even before Clinton made Robert Reich, the foremost proponent of such an industrial competitiveness strategy, head of his transition team on domestic issues and subsequently Secretary of Labor, this position had gained some elite acceptance.[39] A major reason for this change of heart may be the need to address the public's concern with jobs in a period of economic stagnation. Still, the envisaged business-government partnership cannot be compared to the tripartism of the Carter era for the simple reason that labor and other subaltern interests have become so enfeebled that they are unlikely to play a major role in any industrial policy scheme. Labor can no longer be blamed for the competitive problems of U.S. industries. In the high-tech industries organized labor has never gotten a foothold. For the fordist core industries studies such as MIT's "The Machine that Changed the World" have shown that

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"lean production" requires a lot more changes in management practices than the removal of work rules on the shop floor.[40] Thus, the idea that research and development as well as the training of workers are "public goods" has gained acceptance among businesses which want to be competitive on a global s cale. Government has to either provide or subsidize these "public goods."

Despite mounting support, a number of factors suggest skepticism about whether these targeted state policies to enhance international competitiveness can be implemented and deliver the desired results. U.S. managers continue to dislike "government interference." With the exception of the Pentagon, the executive lacks the capacity for carrying out a coherent policy. In some fields, e.g. computer chips, technology is advancing so fa st that many companies fear that any exclusive national technology strategy may risk access to the latest international developments.[41] As desirable a federally funded or mandated retraining offensive would be, it will take a strong labor movement to fig ht for it.

Organized labor, however, does not show any sign of recovery. Furthermore, any significant spending on industrial policy projects faces strong budget restraints. The record of the Clinton administration so far does not dispel this skepticism.[42] However, even if Clinton manages to implement a meaningful industrial policy, its fruits could not be harvested in the short term. His industrial policy internationalism may soon loose its expediency in placating the public's wariness of the world mar kets.

NAFTA: Free Trade against the Democrats

The recent battle over the ratification of the North American Free trade Agreement (NAFTA) suggests, however, that a major trade liberalization initiative may nevertheless be politically feasibl e, even if it does not provide specific safeguards for jobs or comprehensive retraining opportunities. Clinton succeeded in obtaining Congressional approval to NAFTA against the majority of his own party members and against the vocal opposition of one of his key constituencies, organized labor. He did so without offering strong enforcement mechanisms against violations of each participating country's labor and environmental laws and without a commitment to a broad retraining offensive. Clinton's achieveme nt can be interpreted in terms of interest group politics and Presidential bargaining power.[43] His feat can also be read as a reflection of elite consensus and effective discursive practices. Though the political struggle over NAFTA deserves a more in -depth analysis, a few observations based on a study about public opinion on free trade have to suffice here.[44] Public opinion polls on NAFTA revealed a significant gulf between elite and public opinion.

In 1990, 86% of the total Chicago Council on Foreig n Relations

elite sample expressed support for opening negotiations on NAFTA, and after they were completed in 1992 this support remained firm, at 84%, and did not change during Congressional deliberations. The public's opposition to NAFTA grew to a high of 63% in March of 1993. Public debate over NAFTA mobilized protectionist forces. In a March 1991 poll, while only 32% had "read or heard anything about the recent proposal to create a so -called 'North American free trade zone'," astounding 72% thought that NAFTA "would be mostly good for the U.S." By September 1992, however, only 54% thought NAFTA to be "mostly good" and the positions "mostly bad" and "don't know" gained about evenly. In a survey taken in March 1993, opposition to NAFTA h ad grown to 63%. Concern about jobs drove opposition to NAFTA. In March of 1991, a full 50% of respondents to one survey feared the loss of American jobs. In a September 1993 poll, this number increased to 74%. After White House efforts to rally public opinion many opponents became "undecideds". Where a September 1993 poll revealed that 33% were in favor and 29% in opposition to NAFTA, two months later, shortly before the televised debate between Vice -President Albert Gore and billionaire Ross Perot (No vember 9) the percentage of those favoring the pact had risen to 48%, while 41% remained opposed.

The debate increased support considerably among viewers: from 34% to 57%. The administration scored on the crucial issues of jobs and leadership. Post-debate attitude surveys revealed that 50% of the general population thought NAFTA would create more jobs than it would destroy (up from 42% in October), and more than half said

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that the views of former presidents and secretaries of state had made them feel more positive toward NAFTA. In trying to overcome the public's apprehension that American jobs might disappear south with a "giant sucking sound" (Perot), Al Gore did not only pointed out that in recent years the United States enjoyed trade sur pluses with Mexico, but he also reminded the TV audience of the significant role high tariffs played in bringing about the Great Depression.[45] Furthermore, President Clinton attacked unions for using "roughshod, musclebound tactics" and "naked pressure" to intimidate Democratic lawmakers.[46] By so stereotyping unions, Clinton fed the widely-shared belief that high labor costs reduced American competitiveness.[47] Aware of the fact that the American public has been generally inclined to support U.S. leadership in world affairs, the administration consciously framed NAFTA as a grand foreign policy issue.[48] President Clinton kicked-off his NAFTA campaign by convening all living former Presidents, with the exception of Ronald Reagan, for a dramatic public endorsement. In the debate with Ross Perot, Al Gore emphasized America's unique international leadership role and played on American's self-image as an optimistic, can-do people. He thereby came across as more "presidential," in contrast to Perot's inability to escape his image as a protectionist displaying, in the words of Phil Duncan, a "testiness that bordered on anger."[49]

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In sum, the deep seated skepticism of the public towards a free trade agreement with Mexico was neutralized by port raying NAFTA as a job creator, by discrediting trade unions as parochial fear-mongers unable to adapt to the new imperatives of the market place, and by invoking American leadership in the Western Hemisphere.

Prospects for a Sustained Internationalism

Beyond this elite consensus and effective discursive practices, the internationalists benefit from the consequences of their previous policies. First, the internationalists can ground their politics on the growing integration of the American economy into world markets. More companies face competitive imports, but the volume

of exports, the number of exporters, and the importance of exports to some companies has considerably increased in the last decade. More companies have become dependent on foreign su ppliers and would feel threatened in their competitive position if protectionism would force them either to pay tariffs or to switch back to domestic supply sources. In sum, the fear of retaliatory measures by foreign countries has grown.

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Second, transnational operations have taken on a new quality. In the 1960s, investment abroad aimed either at exploiting a different national market more profitably or at reducing certain production costs by comparison with home-country activities. By the 1980s, multinationals pursued a strategy of worldwide integration. Production sites in various countries were increasingly connected through complex global sourcing, production and sales networks. As a result, transnationals have become ever more dependent on a liberal world market order. Technological innovations have become more capital-intensive while amortization cycles have shortened. Therefore, more companies sell globally.

Third, Japanese and others foreign companies have invested heavily in the U.S.A. (partially in response to protectionist threats), thereby creating a domestic constituency for an open American economy and subverting the protectionists' objectives. Foreign companies within the United States contribute increasingly to the causes and the think tanks of the American internationalists.[50]

Finally, foreign goods and capital have become a functional part of U.S. macro-economic steering. Foreign capital has largely financed

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the federal budget deficit. Rising import levels have kept inflation low. They have partially compensated the fall of nominal wages in the low wage sectors of the economy.[51]

Global market forces may have become already so compelling that individual states, including the United States, have few alternatives other than to compete "among themselves and with the rest of the world for talent, trade and capital."[52] States would thus tend to liberalize their tax, regulatory and social regimes to a norm established in the freest possible competition. In the think-tanks from Washington to Tokyo, this kind of competition among states is already envisioned for the whole OECD-world. [53] In this vision the rise of regional trading blocks such as the European Community or the North American Free Trade Zone will not lead to a division of the world into separate blocs as an editorial of the Economist feared.[54] "On the contrary," according to Rudiger Dornbusch, "it may be a good way to achieve multilateral liberalization."[55] As with Baker's initiative of opening foreign markets, a regional trading bloc can be interpreted as a crucial stepping stone for the realization of the final objective: a completely liberal world market order. The increasing numbers of "strategic alliances" among Japanese, European and U.S. corporations (e.g. Mercedes-Mitsubishi) seem to support the vision of "Triad Power" within an OECD free trade zone rather than a triad of mutually exclusive trading blocs.[56]

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These "strategic alliances" and the compelling strength of world market forces have led numerous observers to suggest the emergence a new, transnationalist hegemonic project.[57] If realized, some of the core steering capacities of the nation state would be transferred to supranational institutions (for maintai ning law and order worldwide) and to the companies themselves. The latter would assume control over important infrastructural services like telecommunication. Class rule would no longer rely on the Keynesian, nationally organized compromise, but on the t hreat of plant closure or what sociologist Mike Burawoy has called the "rational tyranny of capital mobility".[58] Consent would be elicited by internal company ladders of advancement, participation opportunities ("quality circles"), fringe benefits and philosophical thoughts on the environment. Thus, the hegemonic project of the transnational corporation may be nascent in the crisis of US-hegemony.

The bourgeois utopia of a "borderless" capitalism,[59] however, has yet to be realized. The nation state is still alive, and not the least thanks to the transnationals themselves. Even such an international company as Ford Motor which earns 50 percent of its revenues abroad does not hesitate to call for import barriers if it feels its market shares are threa tened.[60] Foreign markets were supposed to be accessible, but not one's own home turf.

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Besides, this liberal hegemonic project has an Achilles heel. It rests on the premise that a liberal world market order will lead to a long period of prosperity. If one does not believe in the assumptions of neo-classical economics, then little evidence exists for such a claim. Especially the global financial markets appear highly vulnerable to self-induced crises and may in turn destroy the fabric of global commodity exchange. In that case, the more a country has become integrated in the global economy, the more it will be affected. The liberal market project may then become as quickly discredited as protectionism some 60 years ago.

From the perspective of the regulation theory a number of conditions would have to be met before a new dynamic accumulation of capital is likely to take place on a global scale. For example, no production paradigm is in sight whose productivity increases would compensate for the concurrent increase in the technical composition of capital. If growth can only be gained at the expense of others, then the ever faster race for competitiveness may lead to a crisis inducing divergence between productive capacities and social de mand.[61]

Furthermore, the strong belief in the viability of market forces overlooks the fact that markets function only if they are embedded in forms of societal regulation. These forms can be as rudimentary as the rule of law. But even the rule of the law needs backing through force, a force which is still organized nationally. The enforcement of the liberal world market order, therefore, still rest with the U.S. military. For its deployment, the American transnationals are dependent on popular suppor t. The potent force of anti-communism will be hard to substitute. If the public's desired role in foreign-policy is to wage successful crusades,[62] then neither Realpolitik nor trilateral "consensus" foreign policy will gain mass appeal.

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Conclusion

So what are the reasons for the adherence of the United States to a liberal world market order despite the erosion of the foundations for its original commitment? In this paper I have focussed on the strategic behavior of internationalists inside and outside the American state: trilateralism, unilateralism, dollar devaluation, Structural Impediment Initiative, Gulf war, competitiveness policies, plus selective concessions to protectionist interests. These initiatives served them to integrate the interests of other relevant groups in the American society and to deflect challenges to their internationalist agenda. The internationalists' strategies were supported by a couple of structural circumstances. I have suggested following factors: First, the internationalist's hegemony is inscribed in the structure of the American state. Alternatives to the liberal agenda had difficulties in reaching the executive. Second, the process of internationalization increases the number of actors interested in liberal policies. Third, one of the main social forces against liberalization, the trade unions, has been severely weakened. The unions have also not been able to formulate a comprehensive alternative to the liberal agenda. These factors, however, need further elaboration in future research.

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The implications of my findings for the future of the relations among the core powers of the capitalist world system are quite limited. My approach does not lend itself to future projections. It only shows that so far it was possible to maintain the commitment to a liberal world market order despite the erosion of the original foundations. It can, therefore, lend support to any speculation that suggests a liberal world market order will survive the relative decline of U.S. economic power and the need for capitalist cohesion in the face of communist challenges. However, whether this free market order will soon be consummated by its own contradictions or whether corporate internationalists will be able to maintain their hegemony over U.S. foreign economic policy even when the costs of this commitment keep rising, remain open questions.

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