

A DISCURSIVE ENQUIRY INTO THE POLITICAL ECONOMY OF NEW
LABOUR: IS IT A RUPTURE FROM OR A PERPETUATION OF NEOLIBERAL
HEGEMONY?

A THESIS SUBMITTED TO
THE GRADUATE SCHOOL OF SOCIAL SCIENCES
OF
MIDDLE EAST TECHNICAL UNIVERSITY

BY

EFE SAVAŞ

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE DEGREE OF MASTER OF SCIENCE
IN
THE DEPARTMENT OF POLITICAL SCIENCE
AND PUBLIC ADMINISTRATION

SEPTEMBER 2009

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ABSTRACT

A DISCURSIVE ENQUIRY INTO THE POLITICAL ECONOMY OF 'NEW LABOUR' : IS IT A RUPTURE FROM OR A PERPETUATION OF NEOLIBERAL HEGEMONY?

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September 2009, 150 pages

From the 1980's onwards a new conceptual framework which will be subsequently called neoliberalism has become hegemonic by transforming and redefining the common sense.

In the midst of the world economic crisis in the 1970s which would bring the collapse of Keynesian paradigm, a new political culture promoting the superiority of market-based order has started to emerge. Subsequently during the 1980s, by establishing 'market-oriented society' as the new dominant paradigm, neoliberal hegemony has realized further separation of 'economics' from the 'politics.'

In this respect, regarding the implementation of neoliberal policies, Great Britain can be considered as a prime example. During the last three decades, political atmosphere of Great Britain has to a large extent been shaped under the influence of neoliberal hegemony that has engendered a significant paradigm shift in the country's political economy. Meanwhile in the rapidly changing political atmosphere of 1980's and 1990's, British Labour Party has also gone through a gradual

ideological transformation that culminated in the emergence of New Labour. Despite its initial claim to novelty, since New Labour is itself an actor that is formed during the hegemony of neoliberalism, its possible affiliation with the neoliberal paradigm deserves attention.

In this sense, in order to analyse its affiliation with the neoliberal hegemony, this thesis attempts to develop a discursive enquiry into the political economy of New Labour.

Consequently, by relying on remarkable findings which indicate the commonalities between New Labour and neoliberalism, this thesis advocates that although being different from the initial neoliberal stance of ‘Thatcherism’, New Labour perpetuates neoliberal hegemony insofar it takes neoliberal political economy’s basic premises as for granted.

Keywords: Neoliberalism, Hegemony, New Labour, Third Way, Globalization

ÖZ

‘YENİ İŞÇİ PARTİSİ’ NİN SİYASAL İKTİSADI ÜZERİNE SÖYLEMSEL BİR ANALİZ: NEOLİBERAL HEGEMONYADAN KOPUŞ MU, YOKSA ONUN YENİDEN ÜRETİMİ Mİ?

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Eylül 2009, 150 sayfa

1980’lerden itibaren, daha sonradan neoliberalizm olarak adlandırılacak olan yeni bir kavramsal çerçeve, toplumsal bilinci dönüştürmek ve yeniden tanımlamak suretiyle egemen hale gelmiştir.

Keynesyen paradigmanın çöküşü ile sonuçlanan 70’lerin dünya ekonomik krizi esnasında, piyasa temelli bir toplumsal düzeni teşvik eden yeni bir siyasi kültür oluşmaya başlamıştır. Daha sonra, 1980’lerden itibaren ‘piyasa temelli toplum’ projesini yeni egemen paradigma olarak yerleştirmek suretiyle neoliberalizm, ekonominin politikadan daha da ayrışmasını sağlamıştır.

Bu açıdan bakıldığında, neoliberal politikaların uygulanması anlamında Büyük Britanya öncü ülkelerden biri olarak kabul edilebilir. Son otuz yılda Büyük Britanya’nın politik atmosferi ülkenin siyasi iktisadında bir paradigma değişimine neden olan neoliberalizmin etkisi altında şekillenmiştir. Bu esnada, 1980’lerin ve 90’ların hızla değişen politik atmosferinde İngiliz İşçi Partisi de, ‘Yeni İşçi Partisi’ nin ortaya çıkışı ile zirveye ulaşan bir ideolojik başkalaşım süreci geçirmiştir. Başlangıçtaki özgünlük iddiasına rağmen, ‘Yeni İşçi Partisi’ de neoliberal hegemonya altında şekillenen bir aktör olduğundan, bu hareketin neoliberal paradigma ile olası rabitası incelenmeyi hak etmektedir.

Bu tez, neoliberal hegemonya ile olası rabitasını saptamak amacıyla, ‘Yeni İşçi Partisi’ nin siyasal iktisada yaklaşımını analiz etmeyi amaçlamaktadır.

Sonuç olarak ‘Yeni İşçi Partisi’ ile neoliberalizm arasındaki ortak noktalara işaret eden dikkate değer bulgulara dayanmak suretiyle bu çalışma, neoliberalizmin Büyük Britanya’daki ilk temsilcisi olan ‘Thatchercılıktan’ farklı olmakla birlikte, ‘Yeni İşçi Partisi’ nin neoliberalizmin temel hegemonik düşüncesini veri kabul ettiğini ve onu olgun bir politik proje olarak yeniden ürettiğini savunmaktadır.

Anahtar Kelimeler: Neoliberalizm, Hegemonya, ‘Yeni İşçi Partisi’, Üçüncü Yol, Küreselleşme

To My Beloved Parents

ACKNOWLEDGMENTS

First of all, I would very much like to thank my thesis advisor Assist. Prof. Dr. Galip Yalman for accompanying me in the writing process of this thesis. I have to admit that without his support, valuable comments and valued guidance the writing of this thesis would not be easy.

I also would like to thank my dear friends; Özgür Tezer and Berkay Ayhan for their encouragement, valuable comments and friendship. Their intellectual and moral support helped me a lot in the writing process of this thesis.

Last but not least, I would like to express my gratefulness and love to my dear parents; Gül Savaş and Muhittin Savaş. Without their incredible support, sacrifice and tolerance none of these would be possible. Their love, care and trust always made my life merrier and gave me the confidence that I needed to pursue my goals.

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CHAPTER 1

INTRODUCTION

When assessed from a broad perspective it seems possible to argue that “we live in the age of neoliberalism.”¹ In the last thirty years or so, a particular ideological framework named ‘neoliberalism’ has been remarkably influential in a way that not only transforms the dominant political economy paradigm, but also disrupts the old ideological discourses and political patterns. In other words, particularly from the 1980’s onwards, “those ideas and prescriptions for the organization and reform of economic and social life now generally known as neoliberalism began to emerge as the defining policy orthodoxy of the age.”²

After the collapse of post-war paradigm often identified as Keynesian compromise, neoliberalism which can be characterized with its profound emphasis on the efficiency of market competition, and on the role of individuals in determining economic outcomes, has constituted the new dominant political economy paradigm in many parts of the world. In fact, neither industrialized countries such as Great Britain and USA nor the so-called ‘third world’ countries have remained untouched by this new hegemonic setting of our age.

As it is mentioned above, Great Britain was no exception with regard to the transformation of dominant political economy paradigm experienced during the last

¹ **Saad-Filho, A** and **Johnston, D** “Introduction” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston**, 2005, Pluto Press, p.1

² **Robison, R** “Introduction” in *The Neo-Liberal Revolution: Forging the Market State* ed. **Richard Robison**, 2006, Palgrave

three decades. In fact, the coming to power of Margaret Thatcher's New Right in 1979 is often considered as one of the primary signals of the emergence of neoliberalism as the new dominant paradigm of global political economy. That is to say, in consideration of the remarkable paradigm shift actualized by the New Right government during the 1980's, Great Britain can be regarded as one important case in which the neoliberal turn has been so evident and radical. In this respect, rather than being a simple political project that operates 'within' the boundaries of existing paradigm, Thatcherism is often regarded as a 'paradigm setter' insofar it manages to transform the political culture and common sense of the society in a fundamental way.³

Meanwhile, the crisis of dominant Keynesian paradigm experienced particularly in the late 1970's had also paved the way for a comprehensive ideological transformation in the British Labour Party which has finally led to the emergence of the so-called 'New Labour'. In fact, it is possible to argue that the crisis of Keynesian paradigm and also the 'revolutionary' paradigm shift initiated by Thatcherism, have induced British social democrats to revise their traditional ideological and philosophical commitments. Therefore, from the 1980's onwards, in accordance with the particular political atmosphere marked by the emerging dominance of neoliberal ideas, -which in the case of Britain primarily represented by the Thatcherite New Right- British Labour Party has experienced a gradual but remarkable ideological remaking process. During this remaking process culminated in the emergence of 'New Labour', "the underlying ideological assumptions of the Labour Party were transformed, its policies altered to embrace new forms of political discourse, and its organizational structure changed to enhance the role of an assertively reformist leadership."⁴

This ideological remaking process which was started initially under the leadership of Neil Kinnock and subsequently continued under John Smith, has eventually finalized by Tony Blair. Indeed, far from being a temporary and modest shift in the party's policy agenda, so-called Blairite 'project' which is identified as

³ Hall, S "The Hard Road to Renewal: Thatcherism and the Crisis of Left", 1988, Verso pp.150-160

⁴ Chadwick, A and Heffernan, R "Introduction: The New Labour Phenomenon" in *The New Labour Reader*, ed. Andrew Chadwick and Richard Heffernan, 2003, Polity, p.1

‘modernization’ signifies a fundamental transformation of Party’s philosophical as well as ideological commitments.

That is to say, post-thatcherite agenda of British Labour Party which has come into being in a political atmosphere largely dominated by the neoliberal paradigm, to a large extent represents a break away from the Party’s past. In fact, leading ‘modernizers’ themselves have constituted their new political agenda primarily by criticizing both the neoliberal New Right and also the so-called ‘Old Labour’. For them, the political agenda they have suggested represents a new ‘third way’ that might transcend the fruitless ideological antagonisms of traditional left/right divide.⁵ In this sense, regarding their political blueprint, they claim a radical rupture from the neoliberal paradigm that has been dominant during the New Right era. Nonetheless, in consideration of the fact that the political agenda of New Labour has been formed in a political atmosphere largely marked by the neoliberal hegemony, this particular theoretical stance’s relationship with neoliberalism is worth exploring.

In this thesis, in an attempt to detect the possible continuities as well as discontinuities occur between the neoliberal hegemony and the New Labour, I will make an inquiry into the political economy of the Party. In order achieve this goal, New Labour’s particular approach regarding the political economy together with the underlying ideological assumptions will be analysed in comparison to the hegemonic paradigm established by neoliberalism.

In this respect, I firstly assume that rather than being a mere policy framework, ‘neoliberalism’ refers to a broader hegemonic project which has during the last three decades or so, managed to universalise its own ‘set of values.’ To put it differently, it can be argued that what we have experienced throughout the last thirty years is not simply the rise of a particular ideology that tends to prefer ‘market-based’ economic strategies, but also it is the emergence of a more comprehensive hegemonic project which transforms the ‘common sense’. Secondly, it is assumed that the comprehensive ideological transformation experienced by British Labour Party, represents a remarkable rupture from the Party’s traditional ideological trajectory, thus, New Labour and its affiliated ideology the so-called ‘third way’ deserve to be analysed as a novel political framework.

⁵ Blair, T “The Third Way: New Politics for the New Century” in *The New Labour Reader*, ed. **Andrew Chadwick** and **Richard Heffernan**, 2003, Polity, pp.28-34

With these assumptions and aims in mind, second chapter of this thesis will be dedicated to making sense of the so-called 'neoliberal hegemony'. In order to do so, firstly, implications of the scientific concept of 'hegemony' will be explored with reference to the different theoretical approaches. In this respect, various theoretical positions' ways of understanding of the concept of hegemony will be discussed in a comparative perspective. Secondly, in order to make sense of the neoliberal turn experienced during the last three decades, a broad historical perspective that might remark the milestones of the paradigm shift occurred in the political economy will be provided. Lastly in this chapter, in order to highlight the ideological, political as well as economic manifestations of the 'neoliberal hegemony'; implications of the hegemonic idea of neoliberalism- the 'market-oriented society'- will be analysed. In other words, this chapter will include a comprehensive theoretical discussion which is going to be utilized as a sort of 'benchmark' that might be useful to detect the possible points of convergence between the neoliberal hegemony and the New Labour project.

In the third chapter, the political economy of New Labour will be analysed critically, thus its possible points of convergence as well as ruptures from the hegemonic idea of neoliberalism will be revealed. In this respect, first of all, New Labour's particular affiliated ideology often named as the 'Third Way' will be discussed by drawing specific attention on its continuities and discontinuities with the Party's traditional ideological and philosophical commitments. In other words, throughout the first section of this third chapter, New Labour's basic ideological and philosophical points of departure might be analysed in comparison both to the hegemonic idea of neoliberalism and also British Labour Party's conventional ideological stance. In order to achieve this goal, New Labour's views about the nature of state-civil society relations and their way of analysis of the social totality might be given particular weight in this section. Secondly in this chapter, right after the clarification of New Labour's main ideological perspective, basic underlying premises that characterize so-called 'Third Way' thinking might be examined. In this respect, first of all, their particular view on the 'equality' and 'liberty' which can be considered as two characteristic values of 'progressive politics' might be discussed by providing a comparative perspective capable of detecting the possible points of convergence with the neoliberal hegemony. Subsequently, the perspective adopted

by the New Labour about the real content and consequences of the ‘globalization’ phenomenon might be discussed critically. In an attempt to fully grasp the newly adopted ideological trajectory of New Labour, I think, this discussion will be particularly significant. Since the ‘globalization’ phenomenon and the ‘unprecedented changes’ it has engendered are presented as the main underlying ‘motive’ for the ideological transformation of the British Labour Party by the ‘modernizers’ themselves, perceiving the particular meaning attributed to the process of globalization by the exponents of Third Way thinking might without doubt be worthwhile.

In addition to the analysis of ideology, focusing on some of New Labour’s practical policy approaches might also be beneficial for making sense of the relationship between the neoliberal hegemony and New Labour. Hence, in this sense, second section of the third chapter will include the critical examination of two selected policy areas which are assumed as particularly important to disclose New Labour’s continuities and discontinuities with the established policy patterns of neoliberal paradigm. In this sense, firstly New Labour’s approach to the economic policy making might be discussed by drawing specific attention to the ‘monetary policy’. Subsequently, their view on the character and provision of ‘public service’ might also be discussed.

Lastly, some concluding remarks aiming to summarize the true nature of the relationship between the ‘neoliberal hegemony’ and the ‘New Labour’ will be made.

CHAPTER 2

MAKING SENSE OF NEOLIBERAL HEGEMONY

2.1 CONCEPTUALIZING NEOLIBERALISM: A HEGEMONIC PROJECT?

2.1.1 Making Sense of Hegemony: A Gramscian Concept

In order to comprehend the neoliberal hegemony and its implications, first of all, the notion of 'hegemony' which has been employed by different theoretical positions and also by various disciplines must be elucidated clearly. However, since the term has been widely used in social sciences, and often referred to diverse meanings, any attempt to unveil its content must necessarily confront the difficulties stemmed from the interdisciplinary character of it. Alongside the political science, the discipline of international relations also makes use of the term in order to define one particular nation's superiority and excessive influence in the world order.

Even if its meaning in international relations is neglected for the sake of the analysis, the ambiguity of the term still prevails because of its widespread and sometimes contradictory usage in political philosophy. Antonio Gramsci who can be regarded as one of the most prominent figures of 20th century Marxism, has become synonymous with the term of hegemony, and used it very rigorously to provide an insight for the social relations of contemporary capitalism. In other words, it seems reasonable to argue that Gramsci's political thought and his particular conceptualization of hegemony might provide a sensible point of departure for any investigation aiming to deal with the question of hegemony in capitalism.

Nevertheless, Gramsci is neither the first nor the only theoretician who tries to interpret capitalist relations with regard to hegemony. Many theoreticians advocating

different theoretical stances have offered variety of definitions for the concept. It is also obvious that these suggested definitions and the analysis derived from them are closely linked with the basic ontological and theoretical premises held by those positions.

In hegemony and socialist strategy, with reference to their particular ‘ontological’ premise that define social object as constituted by the contingent articulation of discourse, Laclau and Mouffe ascribe hegemony a central role in the formation of social identities. For them, what is called reality is nothing more than a ‘perception’ inscribed by the contingent discursive practices which are primarily formed and articulated by the ‘hegemony’. That is to say, since ‘being’ of social objects are expressed and realized only through their discursive articulation, and those objects or things are meaningless out of the realm of discourse, ‘hegemony’ which is defined as the unique articulator of the discourse becomes central in the sense that it appears as the sole generator of the perceived ‘reality’.⁶ In this sense, by neglecting the independent and objective existence of social objects, facts and realities, and by attributing an exclusive role to the discursive practices articulated by the hegemony in the formation of ‘objects’, Laclau and Mouffe tend to advocate an idealistic position which conceptualizes ‘hegemony’ as the central determinant of the social phenomenon. Although they try to distance themselves from postmodern idealism by emphasising the Heideggerian distinction between the ‘being’ and ‘existence’, their ‘idealism’ becomes self-evident because of their ontological premises that conceive ‘being’ as bounded up with its description rather than its objective existence consists in the way things are.⁷ Since, their view on hegemony and the nature of reality, by default leads to a specific sort of idealism, an idealism arguing that “ changes in description lead to changes in the object itself. Changes in our idea of the object are seen as altering the actual being of the object”⁸

In contrast to the ‘idealist’ perspective suggested by Laclau and Mouffe, Gramsci offers a Marxist use of the notion of ‘hegemony’ which conceptualizes it with regard to the capitalist ‘relations of production’. Gramsci uses the term

⁶ **Laclau, E and Mouffe, C** “ Hegemony and Socialist Strategy: Towards a Radical Democratic Politics”, 1985, Verso

⁷ **Joseph, J** “Hegemony: A realist Analysis”, 2002, Routledge, pp.112-113

⁸ **Joseph, J**, 2002, p.112

‘hegemony’ which without hesitation can be regarded as the key concept of his political thought, in order to refer to:

A ‘moment’, in which the philosophy and practice of a society fuse or are in equilibrium; an order in which a certain way of life and thought is dominant, in which one concept of reality is diffused throughout society in all its institutional and private manifestations, informing with its spirit all taste, morality, customs, religious and political principles, and all social relations, particularly in their intellectual and moral connotation. An element of direction and control, not necessarily conscious, is implied.⁹

With respect to this definition, it is self-evident that Gramsci employs the term hegemony in a way that denotes a particular sociopolitical situation. A situation in which one particular ‘mindset’ or in other words ‘one concept of reality’ comprising particular social, religious and political attitudes become ‘hegemonic’ by gradually diffusing into the ‘common sense’ of society. Since hegemony is the key concept that Gramsci has built his theory on, it is impossible to perceive its genuine meaning without referring to Gramsci’s other concepts and his general perspective. Thus, before elaborating on the Gramscian meaning of hegemony, it seems important to summarize his general perspective and define some other key concepts used by him.

In an attempt to unfold Gramsci’s political thought, first of all it should be noted that Gramsci himself was a political activist in Italian socialist movement. Therefore, as a matter of fact, his point of departure and main intention was to build an actual political strategy that can be utilized in the process of political struggle. He was seeking for a practical political strategy capable of realizing the demise of capitalism and transition to socialism. In this regard, it seems legitimate to argue that his political intentions encouraged him to “bring everything back to politics”¹⁰

That is to say, in contrast to the positivist interpretations of Marxism which treat ‘history’ as a mechanical process directed and determined by objective ‘scientific rules’ rest in the technical circuits of material production, Gramsci emphasise the decisive role of human action. In this sense, his attempt of using the particular phrase of ‘philosophy of praxis’ to refer Marxism was not a coincidence. Gramsci’s conceptualization of Marxism as the philosophy of praxis indicates and

⁹ **Sassoon-Showstack A** “Approaches to Gramsci”, 1982, Writers & Readers, p.94

¹⁰ **Gramsci, A**, “Selection from the Prison Notebooks”, 1971, International Publishers, p.149

underscores his tendency of ascribing a significant role to the concrete and actual practices of men in the structuration of history.

Besides, it should be noted that, for obvious practical reasons, Gramsci refers to and focuses on a particular historical epoch; the period of post World War One, which is, according to Gramsci, thought to engender a significant transformation in the nature of so-called 'bourgeoisie state'. With regard to post World War One period, Gramsci draws attention to the crisis of traditional liberal state stemmed from the arising difficulty of controlling the masses of people who had appeared as potentially influential political actors for the first time in history.¹¹

According to Gramsci, changes rooted in the economy, had led to a comprehensive change in the relation between the 'masses' and the 'state'. In other words, Gramsci asserts that after World War 1, the liberal bourgeoisie state which is often delineated as the instrument of force by the so-called 'orthodox marxism', has undertaken a new role of ensuring the reproduction of social relations of production. The limited state identified with the use of force, had been substituted by the 'extended state' which can be defined as an active agent functioning to provide necessary conditions for the reproduction of capitalist relations. In this respect, the new role of modern state appeared as the consequence of changing social conditions consisted in the economy, should now be analyzed not just with reference to the use of force but also with the construction of consent. Thus, it is obvious that from Gramsci's perspective, appearance of masses of people as the political actors is seen as the underlying factor in the so-called 'extension of state'. This emphasises the fact that, despite their immaturity and lack of organization, political activity of masses had played an important role in the transition of 'limited state' into the 'extended state'. In other words, despite far from being capable of constituting a counter-hegemony, mass organizations of the period played a crucial role in the emergence of new form of modern state by compelling it to obtain new functions. By arguing that the transformation of state in the post-war period stemmed from the need of controlling the masses, Gramsci directly relates the extensional transformation of bourgeoisie state which occurred in the early 20 th century with the human practices. In this respect, it seems legitimate to claim that Gramsci's view on the transformation of limited bourgeoisie state accounts for his emphasis on the role

¹¹ Sassoon-Showstack A, 1982

of human practice in the structuration of history. Emergence of 'extended state' in response to the appearance of masses as the political actors should be considered as a clear evidence of the fact that, far from being the mere impotent consequence of material conditions, 'human action' or in other words, intentional practices of 'men' might be very influential in the determination of social progress. By the same token, it can be argued that for Gramsci, social 'classes' or 'class fractions' who are in play within the 'class struggle' might be able to direct historical progress through political practices. That is to say, 'bourgeoisie' as well as 'working class' might become 'hegemonic' if they manage to construct a 'hegemonic bloc' through making alliances with other 'classes' and/or 'class fractions'. At this point, it should be underscored that another key concept of Gramscian terminology; the 'historical bloc' should not be confused with the 'hegemonic bloc'. In regard to Gramscian political thought, some theoreticians tend to employ the term 'historical bloc' in order to identify the 'class ensemble' who at the time appear to be 'hegemonic'. Joseph, for example, seems to suffer from that theoretical fallacy by arguing that; "the historical bloc is made up of the power bloc and the supporting classes and strata. These supporting elements do receive a number of small concessions but do not enter into actual power bloc. They are part of a broader hegemonic order which controls and pacifies the masses, again through certain concessions if necessary."¹² In contrast to exemplified misuse of the term, in Gramscian political thought, 'historical bloc' is not used to refer to a subject-like 'ensemble' that consists of classes and class fractions, but to identify the unity of 'base' and 'superstructure' at the moment of 'hegemony'.

Hegemony which is defined by Gramsci as a 'moment' evident in the every aspect of social phenomenon including 'economy' might be enjoyed by a 'hegemonic bloc' appeared as 'hegemonic' in the sense that it is capable of shaping the one particular 'concept of reality' pervasive in the society. However, according to Gramsci, 'hegemony' does not represent an imposition of certain ideas bounded up with the narrow economic interests of one class. But instead, construction of 'hegemony' in its full sense should be understood as an active and ongoing political process realized through various political alliances among different classes and

¹² Joseph, J 2002, pp.94-95

groups. Any 'class' or 'class fraction' can be considered as 'hegemonic' only if it manages to universalise its own 'concept of reality' by diffusing it throughout the every aspect of society. Another point that needs to be clarified in order to properly understand Gramsci's conceptualization of hegemony is the affiliation of hegemony with 'coercion' and 'consent'. In contrast to the view prevalent among various theoreticians which perceives hegemony as identical with the construction of consent operating alongside with coercion, Gramsci conceives it as a comprehensive 'moment' expressed both in the sphere of consent and also of coercion. In other words, his conceptualization of hegemony corresponds to a moment in which the 'hegemonic class' along with its allies, enjoys substantive control both over the means of coercion and also of consent. A 'hegemonic bloc' which is deemed to be hegemonic in the sense that it has a particular influence over the ideological apparatuses utilized in the creation of consent, can not be considered fully-hegemonic without seizing the control of means of coercion. For Gramsci, 'hegemony' far from representing a purely 'ideological' practice, should also subsume coercive elements. As a matter of fact, Gramsci's particular perception of hegemony which deliniates the term as the combination of coercion and consent, makes the clarification of the question of 'modern state' and its affiliation with hegemony necessary. Because, it is obvious that once the coercive elements are assumed to be internal to the 'hegemony', then, the 'state' that seize the control over the means of coercion has exclusively become central for the issue of hegemony.

Therefore, analysis of the modern state and its affiliation with the matters of hegemony have been an important part of Gramsci's political thought. Although making a substantial clarification of Gramsci's view on the state is impossible within the narrow confines of this section, some important points about the state's position with regard to the hegemonic struggle and also about its role in the construction of a 'hegemonic bloc' should be made.

Firstly, it should be noted that Gramsci is quite clear about state's position with respect to the hegemonic struggle. From Gramsci's point of view, 'state' can by no means be considered as external to the struggle for hegemony. But instead, it should be conceived both as a 'terrain' and also as an 'agent' of hegemony. That is to say, any 'class' aiming to become hegemonic by developing an alternative hegemonic strategy, should inevitably compete for seizing the control of the state,

and once state power is achieved, then it presents the possibility of developing a hegemony in its full sense. Because state, with its comprehensive organizational capacity, and with its monopoly over the means of coercion, is unique for the operation and maintenance of hegemony. By arguing so, despite the arguments made by the orthodox interpretations of Marxism which are inclined to view state as a mere coercive instrument of dominant class, Gramsci implies that the 'state' should also be seen as one area of class struggle. In this sense, it can be argued that an authority over the state power does not reside only in the technical spheres of production, but should be gained through a class-based struggle organized around a hegemonic strategy.

State along with other public and private initiatives can function for the construction and maintenance of hegemony in every aspect of social totality including the 'sphere of economy'. In this sense, it might be misleading to argue that economy is a self-generative and autonomous mechanism reproduced in itself without being in need of political mechanisms. Because what is called 'economy' in general, or so-called productive forces in particular are in essence should be considered as embedded to the certain set of 'social relations'. Thus, abstracting the economy or the circuit of capital from its social determinants and confining them just to the technical aspects of production process might engender a theoretical fallacy which, as a matter of fact, leads to the reduction of question of hegemony to the level of mere ideology.

Diverse theoretical stances of Marxism, have tended to depoliticize economy by overemphasising the traditional metaphorical dichotomy of 'base' and 'superstructure'. Economic base or the 'mode of production' is presumed to be preexistent and prior to any kind of political or social relation. Nevertheless, in contrast to some positivist and orthodox interpretations of Marxism, Marx himself has attacked so-called 'bourgeois political economy' first and foremost on the basis of their rigid and misleading separation of 'economy' from 'politics'. As Wood puts it, "bourgeois political economy, according to Marx, universalizes capitalist relations of production in abstraction from its specific social determinations"¹³

¹³ **Wood, E.M** "Democracy Against Capitalism: Renewing Historical Materialism", 1995, Cambridge University Press, p.12

On the contrary, while analysing ‘mode of productions’ experienced throughout the history (i.e. capitalism) Marx does not treat ‘production’ as a mere technical process divorced from social relations but instead as a social totality encompassing certain social relations. In this regard, it is possible to argue that, for Marx, the very essence of capitalist mode of production is a political one.¹⁴ A political and historical process which has been initiated by divorcing the producer from the means of production. As Wood argues:

What distinguishes his (Marx) analysis so radically from classical political economy is that it creates no sharp discontinuities between economic and political sphere: and he is able to trace the continuities because he treats the economy itself not as a network of disembodied forces but, like the political sphere, as a set of relations¹⁵

Thus, I think, in the light of above explanations, the strength of Gramsci’s perception of ‘hegemony’ primarily lies in its ability of suggesting an escape from the ‘vulgar economism’ expressed in the false analytic conceptualization of base and superstructure dichotomy. By dealing with ‘structure’ and ‘superstructure’ as an organic unity and by relating them to the operation of hegemony, Gramsci implies that base and superstructure might codetermine and relate each other within the process of hegemony.¹⁶ Buci-Glucksmann clarifies Gramsci’s view by arguing that “hegemony, and the constitution of a hegemonic apparatus, are not reducible simply to the superstructural level, a superstructure that ensures the ‘reproduction’ of the relations of production”¹⁷ That is to say, hegemony operates not just on the level of superstructure but also on the level of the so-called ‘base’, the economy. As Joseph stresses, “ Productive forces are nothing outside of their socially organized form. It is necessary for them to be organised and directed, and how they develop is a social

¹⁴Wood, E.M, “Democracy Against Capitalism: Renewing Historical Materialism”, 1995, Cambridge University Press

¹⁵ Wood, E.M, 1995, p.21

¹⁶ Joseph, J,2002

¹⁷ Buci-Glucksmann, C “Gramsci and the State”,1980, Lawrence and Wishart, p.89

and historical matter. Economic processes do not stand alone, but operate within a complex totality where they interact with world.”¹⁸

In summary, from a Gramscian perspective although ‘mode of production’ which is also predetermined through set of social relations and political processes sets up the ‘social classes’ involve in the ‘hegemonic struggle’ or in Gramscian terminology in ‘war of position’, ‘hegemonic struggle’ might still play a decisive role in the formulation and preservation of accumulation regime. In other words, far from being self-generative, ‘economy’ also appears as one terrain for the hegemonic struggle conducted through various ideological, social, political and economic means. In order to exemplify the role of hegemonic struggle in the formulation of accumulation regime Gramsci refers to the ‘laissez-faire’ era and clearly recognises that “ ‘laissez-faire’ too is a form of state regulation, introduced and maintained by legislative and coercive means. It is a deliberate policy...a political programme”¹⁹

Nonetheless, as a Marxist, Gramsci believes that in the last instance, ‘economy’ will be determinant, however, it does not deter him from attributing a crucial role to the actions of men in the construction of a new society. For him overthrowing existing relations of domination might become possible only if a proper political strategy which he names as a project of ‘counter-hegemony’ could be developed.

In summary, Gramsci tries to build a philosophy capable of combining human practices with ‘material conditions’. As Bellamy and Scheter assert “he wished to avoid both the determinism of a particular kind of materialism and the subjectivism and transcendentalism of a pure idealism”²⁰ This is in fact obvious in his conceptualization of base and superstructure. By emphasising the unity of base and superstructure and by relating both of them with ‘hegemony’, Gramsci aims to achieve an encompassing insight that will synthesise importance of human practice with the determinant feature of material conditions. And for him, if properly understood, the ‘philosophy of praxis’ can accomplish this goal.

¹⁸ Joseph, J, 2002 p.185

¹⁹ Joseph, J, 2002, p.184

²⁰ Bellamy, R and Schecter, D “ Gramsci and the Italian State”,1993, Manchester University Press p.100

Even though asserting the primacy of so-called ‘material conditions’ such as the ‘mode of production’, Gramsci remains strictly antagonistic to the technological and economic determinism. In this regard, he repeatedly stresses the reductionism of the view which deals with the mode of production on the basis of ‘technology’ and the technical aspects of production. Explaining the ‘economic development’ in terms of the changes occurred in technical instruments was simply denied by Gramsci. As Bellamy and Scheter put it, in Gramsci’s opinion “Economic techniques did not exist in vacuum, but formed a part of a complex of human relations through which we engaged with nature”²¹ Hence in the first instance, it is possible to argue that Gramsci’s formulation seems problematic and contradictory. While on the one hand, he holds the idea that ‘material forces of production’ has the primacy, on the other hand he denies the view which conceive existence of material conditions apart from human will and practice. At this point, I think arguments made by one theoretical standpoint often named as ‘political marxism’²² might help to resolve that apparent contradiction.

According to the adherents of that theoretical stance who depart from Karl Marx’s own writings by making a particular interpretation of them, Marx’s infamous notion of ‘mode of production’ comes to express far more than just the technical and material conditions of production. In essence, ‘mode of production’ refers to a complex structure or an organizational form which subsumes diverse social relations including certain modes of domination, legal and political forms. As Wood clarifies, “This does not mean simply that the economic ‘base’ is reflected in and maintained by certain ‘superstructural’ institutions, but that the productive base itself exists in the shape of social, juridical and political forms- in particular, forms of property and domination”²³

Gramsci’s assertions about the interplay between base and superstructure which should be dealt in unity on the basis of hegemonic struggle seems compatible with the theoretical standpoint summarized above.

²¹ **Bellamy, R and Schecter, D**, 1993, p.102

²² **Wood, E.M** “The Separation of the ‘Economic’ and the ‘Political’ in Capitalism” in E.M.Wood, *Democracy Against Capitalism*, pp.19-48

²³ **Wood, E.M**, 1995, p.22

Since the very essence of a ‘mode of production’ is a political one ²⁴, then the interplay and reciprocal determination between the so-called ‘base’ and ‘superstructure’ envisaged by Gramsci appears to be coherent. Because emphasising the political and social character of mode of production enables us to locate the class struggle or the ‘war of position’ conducted to attain ‘hegemony’ at the heart of the analysis. By doing so, it becomes possible to conceive hegemony as a phenomenon operating both in the sphere of economy (base) and also in the sphere of politics (superstructure).

However, it should be noted that stressing the role of hegemony in the formation of economy is by no means to ascribe an ‘idealism’ to Gramsci. By defining the hegemony in a way that will encompass the base and superstructure in a unity, ‘mode of production’ retains its primary position as it is characterized in Marxism. Nonetheless, recognition of ‘mode of production’ as bounded up with certain set of social relations instead of conceiving it just as a mere technical process enables us to acknowledge the material aspect of hegemony without negating the central and primary position held by the ‘mode of production’. Otherwise, if the so-called ‘economic base’ is deemed to be strictly isolated from its social aspects and defined only with regard to the technical conditions of productive activity then the hegemony would be reduced to an ideological practice exercised on the level of superstructure in a way that will function to reproduce the predetermined economic base. However, in Gramsci’s political thought, in contrast to economic reductionism, the term ‘hegemony’ is employed to imply a ‘moment’ that represents more than the ‘ideological dominance’ of one class or group. His conceptualization manifested in his notion of ‘historical bloc’ which is defined as the unity of base and superstructure²⁵ provides an insight for avoiding both the ‘economic’ and also ‘idealistic’ reductionism. As Cox clarifies:

The juxtaposition and reciprocal relationships of the political, ethical and ideological spheres of activity with the economic sphere avoids reductionism. It avoids reducing everything either to economics (economism) or to ideas (idealism). In Gramsci’s historical materialism (which he was careful to distinguish from what he called ‘historical economism’ or a narrowly economic interpretation of history), ideas and material conditions are always bound together, mutually influencing one another, and not reducible one to the other.

²⁴ It is the ‘divorcement of producer from production’ For Further Details See **Wood, E.M**, 1995

²⁵ **Gramsci, A**, 1971, p. 366

Ideas have to be understood in relation to material circumstances. Material circumstances include both social relations and the physical means of production. Superstructure of ideology and political organization shape the development of both aspects of production and are shaped by them.²⁶

In sum, Gramsci's conceptualization of hegemony when analysed together with the theoretical perspective suggested by political marxism, appears to be valuable insofar it manages to transcend the misuse of base-superstructure dichotomy. By characterizing 'mode of production' as an 'organic unity' rather than being the mere expression of supposedly 'self-generative' domain of 'economy' and thus characterizing it as internal to the class struggle, Gramscian perspective is able to supersede misleading economistic interpretations of historical materialism. However, despite their obvious strength in transcending the fallacies of 'economism', both political marxist and Gramscian interpretations of 'historical materialism' to some extent, seems to be injured with a subjectivist-voluntarist tendency.²⁷ That is to say, by locating the 'class-will'-not 'class practice'- at the heart of their analysis, they seem to substitute *objective* determinate structures of the 'relations of production' with the conscious practices of concrete subjects.

In contrast, from an alternative Poulantzasian perspective, since Marxist interpretation of social totality is by definition bounded up with an objective relationship between the objective structures and practices of the base and the superstructure, it might be a theoretical error to attribute a determinate role to the conscious practices of any concrete *subject*- whether it would be an individual or class- in the formation of history.²⁸ In this respect, it should first and foremost be underscored that for Poulantzas it is important that the concept of 'class' which is employed by Marxist political thought as a theoretically constituted 'scientific concept' should not be conceived as some sort of 'historical subject.' Because for him, the distinguished character of Marxism which makes it superior to the so-called 'idealism' or voluntarism of the Lukacsian variety²⁹ lies not in its tendency to replace

²⁶ **Cox, W.R** "Gramsci, Hegemony and International Relations: An Essay in Method", in *Gramsci, Historical Materialism and International Relations*, ed. **Stephen Gill** 1993, Cambridge, p.56

²⁷ **Poulantzas, N** "Preliminaries to the Study of Hegemony in the State" in *The Poulantzas Reader: Marxism, Law and the State*, 2008, Verso ed. **Martin, J** pp.77-78

²⁸ **Poulantzas, N**, 2008, p.80

²⁹ **Poulantzas, N**, 2008, p.80

‘concrete individual subjects’ by equally concrete ‘class subjects’ but instead, in its unique ability to interpret the structuration of a given social formation as an *objectively* defined relation. Therefore, any attempt to reduce this process of structuration to the ‘will’ of a concrete ‘subject’- whether be it social labour, social class or concrete individuals- might destined to be a serious theoretical fallacy. Thus, as Poulantzas puts it; “We cannot ‘abstract’ one of Marx’s theoretical concepts- ‘class’- and elevate it, thus isolated, into a historical subject producing superstructures-objects, thereby neglecting the fact that this concept can only be theoretically constituted in an objective ensemble designated by the ‘mode of production’.”³⁰

In this respect, subjectivist-voluntarist interpretations of Marxism which defines ‘class’ as a sort of concrete ‘subject’ rather than being a theoretically constituted ‘relation’, as a matter of fact, recognize ‘superstructures’ including ‘state’ as ‘instruments’ manipulated by the conscious will of ‘subject-like’ classes. As Poulantzas clarifies:

In its genesis and particular effectivity, the superstructural domain supposedly constitutes ‘what is useful to the base’. And the employment of the term ‘useful’, which is not (in its ambiguous meaning) accidental, is itself bound up with a whole ‘voluntarist’ and ‘subjectivist’ conception of the superstructures. Men ‘know’ and ‘become conscious’ of the base through the superstructures and therefore ‘want’ and ‘construct’ ‘useful’ superstructures.³¹

Thus, the sense of *objective* relationship between the various levels of reality of social practices which in fact constitutes the core of the ‘historical-dialectical’ process is inevitably abandoned in favour of a ‘unilinear determinism’ in which the ‘superstructures’ are manipulated and deliberately constituted in certain form by ‘praxis-will of the class subject’ determined by the ‘economic-corporate’ interests of that class. By the same token, as Poulantzas puts it; “the superstructural domains, products of the will of a class-subject of history, ultimately possess no objective reality of their own engendered from the base.”³² And therefore, “the superstructures

³⁰ Poulantzas, N, 2008, p.80

³¹ Poulantzas, N, 2008, p.77

³² Poulantzas, N, 2008, p.77

have the status of a simple objectification of the consciousness-will of a class”³³ or in other words they appear to be the mere ‘products’ of a voluntarist praxis. In this respect, ‘class will’ and the political practices of ‘class subject’ which is allegedly driven by the economic-corporate interests of ‘class’ seem to be elevated to a determinate position in the formation of history. Therefore, in this sense, ‘class will’ is deliniated as a sort of leverage that is functioning to transpose the economic-corporate interests of ‘class’- consists in the ‘base’- to the political level.

Accordingly, from perspective of subjectivist-voluntarist interpretations of Marxism, the ‘state’ which appears to be one domain of ‘superstrucure’ is reduced to a mere ‘instrument’ that operates in conformity with the ‘will’ of ‘dominant classes’. In fact, Marxist conceptualization of ‘state’ which emphasises state’s “*objective*, specific reality with its own effectivity”³⁴ is abandoned in favour of a *subjectivist* conceptualization that defines state as one domain of superstructure that objectifies ‘class will’ in the political level.

As it is elaborated above with reference to the Wood, ‘subjectivist’ interpretations of Marxism tend to expound the genesis of ‘modern state’-whose peculiar defining characteristic is the seperation of ‘civil society’ from the ‘state’-, in terms of the ‘alienation’. The ‘political’ process of ‘alienation’ which led to the divorcement of ‘producer’ from the ‘means of production’ is recognized as the underlying *secret* of capitalist mode of production as well as of the specific character of ‘modern state’.³⁵ In contrast, Poulantzas-though conceding to the fact that young Marx had initially detected the ‘alienation’ as the foundation of ‘state’ ‘civil society’ seperation- rigourously stresses that Marx himself has discovered it as a theoretical error in his subsequent work. Therefore, from the Poulantzasian perspective, the underlying secret that gave ‘modern state’ its specific character is no longer the will-oriented ‘political practices’ of generic men, but instead, emergence of ‘modern state’ in its specific form is considered as a “characteristic reality of the *objective*

³³ Poulantzas, N, 2008, p.77

³⁴ Poulantzas, N, 2008, p.79

³⁵ Wood, E.M “The Seperation of the ‘Economic’ and the ‘Political’ in Capitalism” in E.M.Wood, Democracy Against Capitalism, pp.19-48

structures of the political state engendered on the basis of a determinate mode of production”³⁶

Thus, in this sense, for Poulantzas, rather than being a mere ‘superstructural’ instrument that serves to the ‘will’ of ‘dominant class’, ‘state’ in Marxist thought, should take the form of “an *objective, specific reality with its own effectivity*, which is engendered starting from the base, scientifically defined as class struggle in a historically determinate mode of production: the conception of ‘class state’ makes its appearance.”³⁷ In this respect, even though ‘state’ is obviously not considered as an instrument of dominant class will, it still somehow corresponds to the interests of dominant classes. And in Poulantzian conceptualization, this correspondence is by no means a coincidence. Indeed, the scientific concept of ‘hegemony’ presents an abstraction to expound the relationship between the capitalist state and dominant classes.

In this respect, ‘state’s’ correspondence to the dominant class interests is not due to the fact that ‘state’ in some sort of Hegelian way realizes the ‘political interests’ of dominant classes and thus operates accordingly, but instead it happens so, because ‘state’ itself “is constituted starting from the same place as class struggle and the relations of exploitation and domination are situated.”³⁸

Thus, in its own unity, and by virtue of its creation starting from the unity of the base, the state crystallizes the *relations* of production and *class relations*. The modern political state does not translate the interests of the dominant classes at the political level, but *the relationship between those interests of the dominated classes*-which means that it precisely constitutes the political expression of the interests of the dominant classes.³⁹

That is to say, the relationship between the dominant classes and ‘state’ is not constituted in a subjectivist way which implies that the ‘class state’ operates in a way that reflects the ‘conscious’ ‘will’ of dominant classes but in an objective sense in which the ‘state’ reflects political interest of dominant classes insofar those interests

³⁶ Poulantzas, N, 2008, p.83

³⁷ Poulantzas, N, 2008, p.79

³⁸ Poulantzas, N, 2008, p.80

³⁹ Poulantzas, N, 2008, p.80

are constituted starting from the same place as the very formation of state is situated. Hence, in this sense, as Poulantzas clarifies:

in the scientific Marxist perspective, the subjectivist problematic is abandoned in favour of a system of objective relations between objective structures and practices, constituting specific levels of reality with their own unity, within the unity of a determinate social formation- a unity that can itself be referred to the 'typical' unity of a mode of production. Consequently, the problem of historicity is no way reduced to a subject-agent-totalizer, but to the succession of and transition between systems of relations-social formations- that as such form systems of governed transformations.⁴⁰

In this respect, various fractions of dominant classes who have their respective contradictory interests are structured as an 'ensemble' and emerge as the 'power bloc' that is organized around the *political interests* of capital as a whole. Nevertheless, it should be undercored that this emergence of 'power bloc' *via state mediation* and its correspondence to the political interests of capital as a whole, are by no means a consequence of a *subjective* process that is governed by the consciouss practices of class subjects. But instead, it is an outcome of the complex system of *objective* relations bounded up with the mode of production. State power, in this respect, appears as the mediating factor which 'organizes' different class fractions of the dominant classes as a 'unity' around the particular interests of 'hegemonic fraction'- which appears as hegemonic insofar its specific interests represent the political interests of capital as a whole- thus, as a result, at the political level a 'power bloc' that consists of different classes as well as class fractions seems to emerge as a 'contradictory unity'.⁴¹ In other words, when the contradictory interests of dominant classes and class fractions are 'contained' within the 'power bloc'-which is organized around the interests of 'hegemonic fraction'- insofar they are also representing the *political interests of capital* as whole, the sociopolitical situation identified by the scientific concept of 'hegemony' emerges. Therefore, it can be argued that the concept of 'hegemony'- in its operation with regard to the relationship between dominant classes and the state- scientifically comes to define a sociopolitical situation in which the profoundly divergent and contradictory economic-corporate interests of dominant classes are 'concentrated' and 'unified' at the *political level* in a way that corresponds to the political interests of capital in

⁴⁰ Poulantzas, N, 2008, p.81

⁴¹ Poulantzas, N, 2008, pp. 102-105

general. In this regard, while the concept of ‘power bloc’ refers to the contradictory ‘ensemble’ of dominant class fractions concentrated at the ‘political level’ under the aegis of hegemonic class fraction whose interests ‘correspond’ to the ‘political interests’ of capital, concept of ‘historical bloc’ on the other hand, refers to a specific setting of ideological, political as well as economic forms which in a given ‘moment’, manifests and articulates those interests.

Therefore, it can be argued that when the existing ‘power bloc’ -which is organized around general political interests of capital manifested at the ‘historical bloc’- started to be ‘disintegrated’ in the sense that the ‘contradictions’ which exist between the specific economic-corporate interests of various class fractions could no longer be ‘contained’ and ‘mediated’ at the political level, a crisis of ‘hegemony’ emerges in Poulantzasian sense. It means that, at that ‘moment’, existing ‘historical bloc’ that consists of various ideological, political as well as economic structures loses its ability to articulate the general political interests of capital which have been subjected to an alteration as a result of continuous ‘class practices’- not ‘class will-bounded up with the ‘relations of production’. In other words, when the general political interest of dominant class -which by definition structurally determines ‘historical bloc’ in any given moment- is re-configured, as a matter of fact, a new ‘historical bloc’ that is capable of *universalizing* that new political interest emerges. Accordingly, since a shift occurs in the general political interest of dominant class bounded up with the ‘relations of production’, configuration of ‘power bloc’ as well as ‘hegemonic fraction’ whose interests ‘correspond’ to the political interest of dominant class also change. Thus, a new ‘power bloc’ organized around the new political interest of dominant class is formed under the aegis of a new ‘hegemonic fraction’. However, it should once again be underscored that neither the demise of former ‘historical bloc’ nor the emergence of a new one are resulted from the ‘conscious’ practices of any given subject. Instead, construction of a new ‘historical bloc’ is strictly bounded up with the *objectives* changes that consist in the ‘relations of production’. To put it differently it can be argued that the ‘state’ reorganizes ‘hegemony’ by helping to establish ‘historical bloc’- that is capable of articulating the general political interest of capital- as bounded up with the relations of

production. Because ‘state’ itself is formed by starting from the same place “as class struggle and the relations of exploitation and domination are situated.”⁴²

Contemporary state’s function within the ‘hegemony’ is not limited with the establishment of “an ‘order’ between the different fractions of the dominant class- an order aimed at containing the contradictions between them”⁴³ but also ‘modern state’ -as different from preceding economic-corporate type of state- functions to *universalize* the specific political interest of dominant class – which is represented within the ‘power bloc’- by presenting it as corresponding to the ‘general interest’ of the ‘nation’.⁴⁴ That is to say, through the universalizing operation of the ‘state’, ‘masses’, or in other words, ‘dominated classes’ internalize the political interest of capital which is manifested in the ‘historical bloc’. Therefore, it can be argued that the scientific concept of ‘hegemony’ which marks the ‘unity’ of dominant classes also defines the ‘sociopolitical situation’, ‘the moment’ in which the general political interests of capital are recognized as the ‘general interests’ of the whole society.

In this respect, ‘state’, as an institution that ‘serves’ to the interests of dominant classes insofar its own objective reality is bounded up with the ‘relations of exploitation’, not only ‘organizes’ dominant classes- at the political level- within ‘power bloc’, but also functions to ‘disorganize’ the dominated classes by presenting the political interests of dominant classes as the general interest.⁴⁵ In other words, in Poulantzasian sense, general nature of capitalist state involves;

more than repression and/or ideological deception. It does more than negatively delimit and protect the rules of the economic game and/or inculcate ‘false consciousness’ among subordinate classes. For it is actively involved in constituting and maintaining the relations of production and the social division of labour; in organizing hegemonic class unity for the power bloc; and in managing material bases of consent among the popular masses.⁴⁶

And in order to create and manage that material bases of consent among the dominated classes, ‘modern state’- which differs from the preceding economic-corporate types of states by virtue of its separation from the ‘civil society’- presents

⁴² Poulantzas, N, 2008, p.80

⁴³ Poulantzas, N, 2008, p.116

⁴⁴ Poulantzas, N, 2008, pp.116-117

⁴⁵ Jessop, B “State Power”, 2007, Polity Press p.123

⁴⁶ Jessop, B, 2007, pp.121-122

itself “as guarantor of the general interest of society at all levels, as the contract between free and equal individual wills, despite the fact that it ratifies the class division of society, inequality and slavery in civil society.”⁴⁷ In the modern capitalist social formation, thanks to the separation of state and civil society ‘men’ have two ‘distinct’ and even contradictory levels of ‘reality’; one lies in its position within the ‘civil society’- as a member of subordinate or alternatively of dominant class- and other lies in its position within the ‘political’.- as a free and equal member of the ‘nation’- In this respect, state manages to disorganize the dominated classes by divorcing them from their ‘reality’ in the level of civil society and by persuading them “that what they are globally is their political relations in the state.”⁴⁸ Thus, through this ‘mystification’ of the ‘reality’ of ‘men’, state, at the political level manages to universalize the dominant class interests by “substituting a different relationship for the real relationship-replacing the socio-economic relationship by the political relationship- and thus reconstructing at an ‘imaginary’ level the idea unity of what is a real division between two levels of reality: the state and civil society.”⁴⁹

In sum, it can be argued that at the moment of ‘hegemony’, particular ‘set of values’ which objectively correspond to the general political interest of dominant classes, are universalized-*via active endeavour of the state*- as the general interest of the whole society.

2.1.2 Defining Neoliberalism

In the last thirty years or so, many sections of the world have experienced revival of ‘liberalism’ both as an economy model relying on the dynamics of free market and also as a political project which is to a large extent derived from the main ideas of ‘classical liberalism’. A particularly comprehensive project named ‘neoliberalism’ has arguably marked the last three decades of contemporary capitalism by disrupting old-patterns of both political economy and also of capitalist production on a world-scale. In other words, an indisputable hegemony of a new

⁴⁷ Poulantzas, N, 2008, p.94

⁴⁸ Poulantzas, N, 2008, p.95

⁴⁹ Poulantzas, N, 2008, p.96

‘paradigm’ has been clear, whether it has been identified as neoliberalism or with some other remark such as ‘free market liberalism’ or ‘economic conservatism’. This new paradigm that emerged as a response to the crisis of capitalism experienced in the second half of the 1970’s, has dominated ‘ideological’, ‘economic’ and ‘political’ realms both in advanced capitalist countries and in the so-called ‘Third World’ as well.

From the 1980’s onwards, ‘neoliberalism’ which refers to a particular political project resting on the doctrines of liberal political thought and a certain belief in the virtues of free market has appeared as an almost unchallengeable prescription that will help to fix the problems of capitalism which had allegedly been caused from the ills of so-called ‘post-war settlement’ which can be characterized with the overwhelming influence of ‘collectivist’ ideas like ‘welfarism’. At the time when capitalism was globally experiencing a major crisis, ‘neoliberalism’ had been presented as a unique model capable of pioneering to a process of substantial restructurement of capitalism. By restoring the traditional ideas of ‘economic liberalism’ and by complementing them with a comprehensive political framework revolving around an ultimate belief in individual freedom, ‘neoliberalism’ had gradually come to the fore. As a novel political agenda which suggests unconventional explanations and solutions to the emerging problems of late post-war era, neoliberalism had rapidly attained a decisive position at the world political economy. In essence, election victories of Margaret Thatcher in Great Britain and Ronald Reagan in USA were signifying the impending triumph of neoliberalism both in terms of a pragmatic policy agenda and also as a hegemonic project aiming to restore proper conditions for the capitalist accumulation. Major social and economic crisis of capitalist world experienced right before the 1980’s, led to the emergence of a new ‘era’ in the history of capitalism.

Although the inauguration of Thatcher and Reagan governments along with the initiation of the so-called Washington Consensus is often recognized as the beginning of neoliberal era, neoliberalism has much longer history. In fact, development of neoliberalism as an intellectual utopia based on the basic premises of ‘classical liberalism’ can be traced back to the late first half of the 20th century. The term ‘neoliberalism’ -which is still not preferred by neoliberals- was first used by a

German economist named Alexander Rüstow.⁵⁰ Rüstow mentioned the term in an attempt to describe “new currents of liberal thought which were hostile to the forms of statism and collectivism which had been so dominant in the first half of the twentieth century.”⁵¹ Nevertheless, ideas and policy prescriptions which have marked the ‘neoliberal turn’ throughout last three decades can better be identified with ‘Mont Pelerin Society’ ; a discussion circle founded in 1948 by a group of liberal intellectuals including Friedrich Von Hayek and Milton Friedman. Mont Pelerin society which was established to present an intellectual defiance against the anti-liberal ideals that had become so popular right after the second world war, had not been too influential until the mid 1970’s.⁵² Thus, , it can be argued that the gradual collapse of the so-called ‘post-war consensus’ built around collectivist and statist ideas which Mont Pelerin Society has always been so critical with, set up the stage for liberal ideas to flourish. In an atmosphere where the failure of Keynesian economic prescriptions become so obvious, and accordingly, dissolution of post-war consensus that is established around illiberal principles such as ‘collectivism’ and ‘statism’ appears to be evident, as a matter of fact, once forgotten promises of liberalism held by Mont Pelerin society had gradually become popular. In fact, some of the intellectuals who established Mont Pelerin society have been remarkably inspirational and influential in the popularization of neoliberalism.

Despite its world-wide popularity which has been quite perceivable throughout the last three decades, it is not easy to provide one certain definition of the term ‘neoliberalism’. This difficulty mainly stems from the considerable differences between the theoretical assumptions of neoliberalism and its practical implementations in various countries. In other words, neoliberal experiences of different countries have not necessarily displayed a coherence with ‘neoliberal theory’. Thus, any attempt to define neoliberalism should consider the fact that

⁵⁰ **Gamble, A** “Two Faces of Neoliberalism” in *The Neoliberal Revolution: Forging the Market State* ed. **Richard Robison**, 2006, Palgrave Macmillan p.21

⁵¹ **Gamble, A** “Two Faces of Neoliberalism” in *The Neoliberal Revolution: Forging the Market State* ed. **Richard Robison** 2006, Palgrave Macmillan, p.21

⁵² **Gamble, A** “Two Faces of Neoliberalism” in *The Neoliberal Revolution: Forging the Market State* ed. **Richard Robison**, 2006, Palgrave Macmillan, p.21

depicting neoliberalism just in terms of its theoretical premises might be inadequate to understand actual neoliberal transformations experienced by any given country. As a political project, actual implementation of neoliberalism has always showed certain degree of diversification caused both from its pragmatic character and also from the unique characteristics of the countries that have experienced neoliberal transition. Besides that, even if one tries to identify neoliberalism only with regard to theory, it is still difficult, if not impossible to provide one certain definition for neoliberalism. Because from the very beginning, neoliberalism has been fostered from at least two different theoretical stances; the 'laissez-faire strand' which believes that the markets should operate without any impediments and the 'social market strand' which favours certain degree of state activity in order to provide best conditions for free markets to operate.⁵³ Even though, these two strands have much in common with regard to their fundamental belief in the superiority of the free markets, the path that they suggest to reach an effective market economy is different. As Gamble argues; "both strands give priority to the market within social relations, and both imply an active state. But in the first case the role of the state is primarily to remove obstacles to the way in which markets function, while in the second the state also has the role and responsibility to intervene to create the right kind of institutional setting within which markets can function."⁵⁴

Despite these difficulties which deter us to rely on one universally valid definition of neoliberalism, it is still legitimate to draw a roughly descriptive framework departing from obvious characteristics that are common to every neoliberal experience. In other words, even though to some extent neoliberal experiments of every country distinct from each other and display some unique characteristics, it still possible to talk about a particular perspective, a world view shared by every neoliberal experience; a perspective which encompasses ideas and policies with respect to economic, political and social aspects. As it is already mentioned, the primary feature that define neoliberalism is its fundamental belief in

⁵³ **Gamble, A** "Two Faces of Neoliberalism" in *The Neoliberal Revolution: Forging the Market State* ed. **Richard Robison**, 2006, Palgrave Macmillan, pp.21-22

⁵⁴ **Gamble, A** "Two Faces of Neoliberalism" in *The Neoliberal Revolution: Forging the Market State* ed. **Richard Robison**, 2006, Palgrave Macmillan, p.22

the operation of free markets. In this sense, free markets which are considered to be the ultimate source of the ‘human liberty’, are given priority within social relations. That is to say, from a neoliberal perspective, markets are viewed as prior to every other aspect of social phenomenon. Thus, it should be argued that neoliberalism first and foremost envisages and favours a social order in which the efficient operation of ‘free market economy’ based on the allegedly ‘rational choices’ made by ‘free individuals’ who aim to maximize their own interests, is guaranteed. Alongside the belief in free market economy, another defining feature of neoliberalism is its particularly individualistic view of society and politics which is derived from the 18th century classical liberalism.

Hence, as a political project, neoliberalism can roughly be identified as an ideological framework that aims to combine ‘laissez-faire economics’ with a ‘liberal’ view of society and politics. In regard to economy, it is possible to argue that the contemporary neoliberalism that has marked the last three decades of capitalism, can principally be associated with the Chicago School of Economics.⁵⁵ The ‘Chicago school’, in which Milton Friedman had been the most prominent figure for a very long period of time, favours a particular economic approach; namely ‘monetarism’ that is based on the premises of ‘neoclassical economics’. At least until the mid-90’s, neoliberalism without doubt can be defined with its principal commitment to the neoclassical economics. In essence, transition from the Keynesian economic framework to the neoclassical economics was among the few major areas where the so-called ‘neoliberal turn’ has been most evident. However, despite the obvious significance of its particular economic theory, ‘neoliberalism’ should be conceived as something much more comprehensive than a merely economic approach. Because the almost world-wide transformation realized in the last three decades is fundamental and comprehensive enough to be indisputably considered as a “new social order”⁵⁶ that transcends well beyond the limits of economics. In fact, in a relatively short period of time, neoliberalism has conveyed political, social and economic model of its own. Although complexity and comprehensiveness of the

⁵⁵ **Palley, T** “From Keynesianism to Neoliberalism: Shifting Paradigms in Economics” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston** p.20

⁵⁶ **Dumenil, G** and **Levy, D** “The Neoliberal (Counter-) Revolution” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston** p.9

transformation it has engendered is quite self-evident, it is not possible to talk about a consensus neither on the exact content nor the real intention and purpose of the ‘neoliberalism’. While on the one hand various theoreticians and scholars are almost substituting ‘neoliberalism’ with ‘globalization’ and tend to conceptualize the change as a necessity stemmed from the recent radical technological and sociological transition of the world rather than conceiving it as an intentional political strategy, on the other hand, others prefer to emphasise the ‘ideological’ and ‘political’ character of the change and define it as a ‘hegemonic project’ aiming to restructure and reorganize capitalism in a way that will maximize the interests of the so-called ‘ruling classes’.⁵⁷

Whether it is defined as a deliberate political project aiming to maximize the interests of ‘dominant classes’ or alternatively, as a pragmatic policy framework necessarily developed to address the emerging needs of ‘globalization’ process, neoliberalism’s fierce antagonism to the post-war consensus is beyond question. In fact, opposition to the so-called post-war consensus has been one of the defining features of neoliberalism.

Hence, at this point in order to make sense of the neoliberal transformation, it seems necessary to disclose and analyse the conditions which had set up the stage for the neoliberal turn. The preceding era of contemporary capitalism which is acknowledged as the hegemonic setting of the nearly thirty years of time ; a period roughly started in 1945 and came to an end in mid 1970’s should be recalled to understand the real content and character of the neoliberal turn.

In this sense, the next section will be dedicated to provide an insight for the last thirty years of contemporary capitalism. By doing so, it is hoped that the underlying motive and the real nature of the neoliberal turn might be disclosed. In other words, the ongoing controversy over the ‘characteristic’ of the change that has been realized throughout the last three decades will be resolved.

⁵⁷ For example; See **Milios, J** “European Integration as a Vehicle of Neoliberal Hegemony” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston**

2.1.3 Making Sense of Neoliberal Turn: From Keynesian Compromise to Neoliberal Times

The era between the end of second world war and the emergence of so-called ‘economic globalization’ is often identified with diverse labels such as ‘post-war settlement’, ‘Keynesian compromise’, ‘Fordist era’ or ‘welfare capitalism’. However, regardless of how it is named, that period with its distinctive features, peculiar characteristics and unique model clearly represents a particular epoch in the history of capitalism. Hence, at this point, that era which had marked the almost thirty years of contemporary capitalism should be analysed briefly. Because in order to fully grasp the nature and content of neoliberal era, it seems necessary to discuss the conditions that gave rise to the neoliberal turn. In this regard, views about the rise of neoliberalism and demise of Keynesian epoch can be summarised in two major groups. First position tends to advocate the view that neoliberalism first and foremost should be defined in terms of a comprehensive economic project, which was developed as a response to the crisis of Keynesian economy. On the other hand, alternatively, second view claims that rather than being a reactionary economic project that is developed just to overcome the crisis occurred in the capitalist economy, neoliberalism should be conceived as a class-policy, or in Gramscian sense, as a ‘hegemonic project’ aimed at the maximization of particular class interests. Thus, in the following two sections, this two major views about the nature and content of neoliberal era will be discussed in a detailed way. By doing so, making sense of neoliberal hegemony in its full sense will be possible.

2.1.3.1 Neoliberalism: A Reaction to the Crisis of Keynesian Economy?

The post-war settlement, or in other words the ‘fordist era’ which had been organized around the principles of ‘Keynesian demand management’ and ‘free trade’ was first and foremost aiming to recover the world economy which was at the time being suffered from the effects of the world war. In accordance with the emerging two polar world system, capitalist world was seeking for a new strategy or a new model that will function to reproduce and maintain the capitalist mode of production. In the light of the fact that the constant economic depression which had marked the

world economy throughout the interwar period facilitated the war by undermining liberal capitalism, capitalist world which at the time trying to be reorganized under the guidance of US was looking forward to develop a new system capable of preserving capitalist world economy by avoiding possible disruptions. In order to establish such a system, towards the end of the second world war, a meeting was held in Bretton Woods in United States.⁵⁸ After long disputes, a compromise on a new world economic system had been reached among the advanced capitalist countries. In regard to economy, the system that was envisaged in Bretton-Woods summit right before the end of the second world war can be identified as an hybrid settlement which synthesises 'orthodox' and 'keynesian' economic theories. Although, the post-second world war era is often and also legitimately recognized as a period in which the economy had been organized under the dominating influence of Keynesian premises, it should be noted that the system was somewhat different than the one suggested by John Maynard Keynes who participated BrettonWoods summit as the British delegate.⁵⁹ In respect to finance, Keynes' proposal of international currency was dismissed in favour of a 'fixed-exchange rate system' suggested by USA delegation. As a result, framework of a new economic system that will supposedly ensure the long-term stability of the world economy was constituted around the principles agreed in Bretton Woods summit.

In accordance with the post-war political system, the settlement at Bretton Woods was first and foremost established around national economies which were envisaged to be managed by independent nation states. In this regard, it can be argued that the new world economic system was envisaged to be relied on an ongoing and constant international 'free trade' that might occur between independent nation states. By establishing such a system which will be realized through mutual relations among national economies, it is expected that avoidance of sheer conflict which may possibly lead to a catastrophic war will be possible. In other words, development of post-war system as whole was first and foremost aimed to create proper conditions for capital accumulation without suffering from any sort of political conflict or economic instability.

⁵⁸ Kiely, R, 2005, p.89

⁵⁹ Kiely, R, 2007, p.43

Any economic order which is devised to encourage international trade of goods and which also restricts the flow of money internationally, as a matter of fact, might be in need of an international currency that will function as a means of payment. Thus, 'dollar'; the respective currency of the US was recognized as the currency which might be privileged to operate as the anchor of transnational flow of money. According to the so-called 'Bretton Woods system', trade of goods among nation states would be conducted through a payment system that consists in the value of dollar. In order to achieve this goal, 'dollar gold standard' was introduced, whereby while all other currencies would be fixed against the price of 'dollar', value of dollar in turn, would be fixed against the gold. (at \$ 35 an ounce)⁶⁰

Bretton-Woods system which is elaborated above, was accompanied by the foundation of international economic agencies, most notably, the IMF (International Monetary Fund) and the World Bank. It can be argued that these institutions were established to make regulatory intervention which sometimes can possibly be necessary to preserve the system. At least in theory, it was expected that by alleviating the inevitable economic and social distresses of 'nation states', these institutions would protect the system from possible breakdowns. According to the planned 'division of labour', while the task of social assistance in terms of aids would be assigned to the World Bank, IMF on the other hand, was designated to provide economic assistance to specific countries who suffer from payment difficulties.⁶¹

In this respect, the post-war economic order which primarily envisions a system of stable international trade among nation states can be identified as a sort of 'regulated liberalism'. That is to say, in contrast to the protectionist economic environment of 1930's which ended up with a world-war, the new system -agreed at Bretton-Woods- was aimed at the liberalization of trade. Although, the flow of finance capital was still subject to restrictions, free trade of goods and services were strongly encouraged in the post-war system. In this sense, in order to stimulate trade of goods and services on an international basis, gradual elimination of national protectionism as much as possible was recognized as a primary goal. Thus, at 1947

⁶⁰ Kiely, R, 2007, p.43

⁶¹ Kiely, R, 2007, pp. 42-47

GATT (The General Agreement on Tariffs and Trade) was established as an international agreement dedicated to liberalize international trade. However, GATT had never managed to fully achieve its goal. Tariffs and other measures that aim to protect national economies, to a certain extent, had always stayed in action. In practice, trade liberalization of post war order had remained exclusive to some limited number of areas. Despite the agreed ultimate principle of international trade liberalization, most nation states if not all had continued to protect their national economies from international competition by applying variety of protective measures. Besides that, in conformity with the rising ‘developmentalist’ trend of the time, many Third World states or in other words many sectors of developing world, had in the first place refrained from signing the GATT.

Alongside the international agreements and institutions such as Bretton Woods, GATT, IMF and World Bank which were designed to regulate the capitalist system on a global scale, the post-war era can also be characterized with the ‘economic’ and ‘production’ model that it had based on. As it is mentioned above, post-war era is also identified as ‘Fordist era’ or ‘Keynesian compromise’. Fordism, characterized with its unique production method relying on continuing mass production and mass consumption of standartized products, had become pervasive enough to legitimately give its name to the post-war era. As Kiely argues; “This period from 1947 to 1973 has been described as the era of ‘high fordism’, in which unprecedented rates of economic growth were facilitated by the extension of mass production systems to more and more sectors in the economies of advanced countries”⁶² Mass production fostered by Fordist techniques that rest on the implementation of strict ‘division of labor’ in the workplace, by definition entails constant demand for the standartized products. In other words, Fordist production had always relied on a balance that occured between the mass consumption and mass production. In order to maintain the Fordist system, demand for the consumer goods should constantly be stimulated. In this sense, “Keynesian economic model”⁶³ which ascribes priority to the demand side of economics and accordingly which advocates for the deliberate stimulation of demand by the government had been suitable to

⁶² Kiely, R, 2007, p.48

⁶³ Lapavitsas, C “Mainstream Economics in the Neoliberal Era” in *Neoliberalism: A Critical Reader* ed. Alfredo Saad-Filho and Deborah Johnston, pp.31-35

complement the model. Throughout the period from around 1947 to 1973 national governments were encouraged to support aggregate demand by implementing appropriate money and fiscal policies.

Thus, with regard to the management of national economies, Keynesian demand-side model had been favoured over supply-side model of neoclassical theory. According to the Keynesian model, an increase in the real wages of working population should be considered as tolerable and even in some cases desirable for the capital. Because it is assumed that any increase in the real wages of working population might in turn, facilitate the accumulation of capital by encouraging people to spend more. So, in this sense, in accordance with the recognition of Keynesian economic model, it is possible to argue that throughout the post-war era the working population of advanced capitalist countries had enjoyed better wages.

Post-war period characterized with the implementation of Keynesian economic prescriptions can also be identified with the idea of ‘welfarism’. Alongside with the better wages, substantial welfare rights- though in varying degrees- had been granted throughout the capitalist world and particularly at advanced capitalist countries in which the working population was to a certain extent organized around trade unions. In consideration of high growth rates, stable inflation and extending rights for working population the era between late 1940’s and early 1970’s is often referred as the “Golden Age of Capitalism”⁶⁴. As Lapavitsas argues; “ Abundant labour supplies, continuous technological progress and gradual emergence of mass consumption sustained a long economic boom unprecedented in the history of capitalism.”⁶⁵ Particularly until the late 1960’s, capitalism had managed to generate appropriate conditions for the accumulation of capital. ‘High productivity’, ‘expanding demand’ along with relatively “high wages”⁶⁶ had been the major characteristics Fordist era. Although far from being unproblematic, the so-called post-war boom had arguably engendered better conditions for the large scales of working population. In accordance with the Keynesian logic which first and foremost aiming to provide ‘full employment’ in order to ensure the constant stimulation of

⁶⁴ Kiely, R, 2007, p.47

⁶⁵ Lapavitsas, C “Mainstream Economics in the Neoliberal Era” in Neoliberalism: A Critical Reader ed. Alfredo Saad-Filho and Deborah Johnston p.31

⁶⁶ Kiely, R, 2007, pp.47-49

demand, many national governments had implemented “activist demand management”⁶⁷ policies which in turn brought up ‘welfare rights’ and ‘high wages’ for the working population. In this regard, with reference to post-war boom or the so-called Golden Age of Capitalism, Lapavistas stresses that “Extensive poverty and inequality as well as oppression and injustice, did not disappear in the developed capitalist world. But the majority of the working people in the USA and Western Europe in the 1950’s and 1960’s could expect stable employment and rising real wages”⁶⁸

However, the so-called ‘Golden Age of Capitalism’ or in other words the ‘welfare capitalism’ had not been permanent. Soon after the late 1960’s, the economic situation had started to gradually deteriorate throughout the world. High growth rates of the 1960’s which were accompanied by welfare provisions for the large sectors of population, had rapidly slowed down by the early 1970’s. In accordance with the impending world-wide economic crisis, at 1971, US administration had decided to abandon some key parts of Bretton-Woods agreement. In this regard, dollar-gold convertibility which can be considered as the basis of post-war economic system, had been ended by the Nixon Administration in an attempt to sustain high levels of consumption and imports which had been the characteristics of US economy since the end of the second world-war.⁶⁹ The first oil-shock of 1973-74 which started with the OPEC oil embargo, had worsened the already deteriorating economic situation and triggered the major recession at advanced capitalist countries including USA and Great Britain. Hence, finally in 1973 the so-called ‘Bretton-Woods system’ which had mainly relied on a system of fixed exchange rates anchored by dollar, was officially destroyed, and replaced by a “managed floating”⁷⁰ system.⁷¹

⁶⁷ **Palley, T** “From Keynesianism to Neoliberalism: Shifting Paradigms in Economics” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston** p.23

⁶⁸ **Lapavistas, C** “Mainstream Economics in the Neoliberal Era” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston** p.31

⁶⁹ **Kiely, R**, 2007, pp.61-62

⁷⁰ **Kiely, R**, 2005, p.61

⁷¹ **Lapavistas, C** “Mainstream Economics in the Neoliberal Era” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston** p.33

As a result, by the mid 1970's, with the official abandonment of Keynesianism, post-war economic order characterized with Fordist production methods, welfarism, developmentalism, and regulated liberalism had reached its limits. The crisis of capitalism experienced by the 1970's was actually heralding the emerging need of capitalism for a new order. In order to sustain capitalist system, development of a new order capable of tackling the emerging problem of capital accumulation had appeared to be necessary. Thus, in this sense, towards the end of the 1970's, with regard to economy, national governments of advanced capitalist countries had started to lean towards 'market-oriented solutions'; thus economic policy prescriptions which attribute central role to the free market mechanisms in the resolution of economic problems had started to gain popularity. Interventionist and Keynesian solutions which first and foremost aimed at full-employment had gradually replaced by a new economic policy framework that subsequently identified as 'neoliberalism'.

Although initial signs of economic policy changes in advanced capitalist countries had become apparent by the mid 1970's, the major paradigm shift guided by 'neoliberalism' was actualized in the early 1980's. Inauguration of Thatcher government in Great Britain and Reagan administration in USA, along with the introduction of the so-called 'Washington Consensus' are often recognized as the signifiers of the triumph of 'neoliberalism'. In other words, election victories of the so-called 'New Right' in two core capitalist countries can be considered as the milestones of neoliberal turn. Neoliberalism as an ideological framework that aims to transform the economy and politics in a significant way came with a somewhat 'revolutionary' agenda; an agenda that represents "a new, more aggressive stage of capitalism marked by financial and trade liberalization and the embrace of global 'free' market; a rejection of the Keynesian social contract, accompanied by cuts in social welfare spending; the privatization of state industries; a push toward export-led growth; and the deregulation of prices, wages, and environmental protections."⁷²

Thus, according to this view, 'neoliberalism' arose as a reactionary government action aiming to overcome the major economic crisis of 1970. In essence, an excessive role in the determination of political changes is ascribed to the 'economic factors' which are implicitly thought to be self-explanatory. In this view,

⁷² Harvey, D "A Brief History of Neoliberalism", 2005, Oxford University Press

‘neoliberalism’ is deemed to be an objective outcome of ‘economic transformation’ rather than being an intentional ideological project. Neoliberal transformation as well as preceding Keynesian era are viewed as almost ideologically impartial economic settlements aiming to sustain capitalist system in a way that is compatible with the structural conditions of production. However, despite its obvious internal coherence and sound ‘economic’ explanations, this particular approach fails to grasp the ideological character of neoliberalism. In essence, economy or in other words ‘accumulation regime’ is deemed to be a self-generative closed system capable of determining the direction of paradigm shifts by itself. Changes occurred in the technical conditions of material production along with the new economic policy framework are considered as a sort of independent variable which is capable of inducing a wholly new paradigm. In this view, what we call neoliberal transition is identified with the so-called ‘globalization phenomenon’ which is supposed to be arisen from the allegedly objective changes in the economy that is fostered and shaped by the technological improvements rather than being class-based ideological preferences. This sort of economistic explanations which goes hand in hand with a degree of implicit ‘technological determinism’ to a large extent, neglect the possible role played by the class-based hegemonic struggles in the determination of paradigm shifts. Nevertheless, as Joseph argues; “Economic structures do not reproduce themselves automatically, rather, the conditions for economic development are socially secured, making it impossible to separate the economic from a wider social and indeed historical context”⁷³

Thus, in this sense, departing from the theoretical framework summarized in the first section, next section of this thesis may suggest an alternative approach which views the ‘neoliberalism’ as well as the so-called ‘keynesian compromise’ as ‘hegemonic projects’ initiated to maximize particular class interests. By doing so, theoretical fallacies of the ‘economistic’ position which implicitly conceives economy as a self-generative closed system and which also tends to exclude the role of class struggles in the formation of political economy, will be avoided.

⁷³ Joseph, J, 2002, p.189

2.1.3.2 Neoliberalism As a Class Based Hegemonic Project

Despite the pervasive view that tends to conceive it as a comprehensive policy framework stemmed from the need to tackle the purely economic crisis of Keynesian capitalism, in Poulantzasian sense ‘neoliberalism’ as well as its predecessor; the so-called ‘Keynesian compromise’ can alternatively be recognized as ‘hegemonic projects’ that *reconcile* and *concentrate* the interest of dominant class fractions under the aegis of the ‘hegemonic fraction’ whose interests correspond to the political *interests of capital* as a whole. In this sense, Keynesian compromise’s and subsequently the neoliberalism’s emergence as hegemonic projects were not a consequence of the conscious ‘will’ of the class subjects, but instead they were an outcome of the ‘class practices’ *objectively* bounded up with the ‘mode of production’ expressed in the political, ideological as well as economic spheres of social totality. Hence, in this respect, this section aims to suggest that the just like the ‘Keynesian compromise’ and also all other capitalist phases, ‘neoliberalism’ has been a hegemonic project which has managed to transform the people’s common sense by developing a new ‘concept of reality’. In other words, by *universalising* the particular ‘set of values’ that correspond to the political interests of capital, ‘neoliberalism’ constructs its respective ‘historical bloc’ that is manifested in the every level of social phenomenon.

If examined from a different perspective that refrains from excessively ‘economistic’ and reductionist explanations, both the era of ‘Keynesian compromise’ and also ‘neoliberal epoch’ provide adequate evidence to verify the assumptions of the Poulantzasian view that is elaborated in the first section of this thesis.

One of the numerous names that is employed to refer 1945-1974 period of contemporary capitalism is ‘Keynesian compromise’. And, the selection of the word ‘compromise’ is by no means a coincidence. As the name implies; Keynesian era can also be evaluated as an era of reconciliation that was reached between capital and labour. As it is argued in the previous section, Keynesian era had been marked by governmental commitment to the full-employment which is accompanied by substantial improvements attained with regard to welfare policies. While, on the one hand capitalist classes of advanced capitalist countries were enjoying high profit rates enabled by constant demand and high-productivity of Fordism, on the other

hand increasingly unionized working class of the era were benefiting from the rapidly increasing real wages complimented with wide range of welfare measures. Those concessions obtained particularly by unionized workers, had been widely tolerated, since at the time they do not constitute any threat towards the continuing accumulation of capital. In return, in spite of their increaisng organizational capacity and mobilizing potential, trade unions which at the time represents the majority of working class population in advanced capitalist countries, had not been so insistent about political requests that might potentially disrupt the accumulation of capital.⁷⁴ In other words, in exchange for better conditions, working class had seemed to come to terms with ‘capitalism’ by implicitly giving up its political demands that transcends the limits of capitalist mode of production. As Hall argues; “ Keynesian welfare state was a contradictory structure, a ‘historic compromise’, which both achieved something in a reformist direction for the working class and became an instrument in disciplining it”⁷⁵ As it is mentioned in the first section, in Poulantzas’ terminology ‘hegemony’ refers to a ‘moment’ in which the political interest of capital is universalized through the *concentration* of the diverse and contradictory interests of various classes and class fractions organized within the ‘power bloc’. In this sense, it can be argued that the so-called ‘Keynesian compromise’ was the ‘hegemonic project’ which had during the post-war period represented the general political interest of capital by containing diverse and in some cases contradictory economic-corporate interests of class fractions within the ‘power bloc’. Therefore, conceivably ‘Keynesian compromise’ and its manifestations articulated in the ‘historical bloc’ did not always fully correspond to the narrow economic-corporate interest of any given fraction or class. But instead, by definition, it had always correspond to the general political interests of capital objectively formed through the ‘class practices’-not class will- that consist in the ‘relations of production’. In this sense, implementation of some policies which might be considered as ‘antagonistic’ to the strict economic-corporate interests of capital during the Keynesian compromise is by no means incomprehensible insofar they conform to the political interests of capital. As Poulantzas clarifies:

⁷⁴ Kiely, R, 2007, p.48

⁷⁵ Hall, S, 1988, p.158

certain working-class ‘conquests’, such as social security at the outset, in fact conform to the strict economic-corporate interest of capital, in as much as they ensure the reproduction of labour-power. Others, however, when assessed on the economic-corporate level-the issue of the welfare state- can be regarded as contrary to the strict interests of capital, even though they correspond to its political interests.⁷⁶

Hence, in this respect, it can be argued that the ‘Keynesian compromise’ like all other ‘hegemonic projects’, did function “not for the domination of the strictly economic-corporate interests of the hegemonic fraction, but for the ‘rational regulation’ of the process of production as a whole-i.e., at a phenomenal level, to the well-being of society as a whole, but in reality to a politically conceived general interest of capital as a whole.”⁷⁷ From this perspective, it can be argued that the so-called ‘compromise’ reached between the ‘organized workers’ and ‘capital’ -that had been manifested in the ‘historical bloc’-sometimes as a ‘contradictory picture’-emerged as ‘hegemonic’ insofar it managed to ‘correspond’ to the general political interests of capital.

As it is elaborated in first section of this chapter, ‘modern state’- by containing the diverse economic-corporate interests of classes and class fractions- at the political level, ‘organizes’ the ‘power bloc’ in the form of a ‘contradictory ensemble’ around the interests of ‘hegemonic fraction’. In addition to that, at the moment of hegemony, the general political interest of capital is universalized at the phenomenal level as if they correspond to the interests of whole ‘nation’. Therefore, as Poulantzas puts it; “The modern state is in fact frequently in the service of the political interests of the hegemonic classes against their own economic-corporate interests, in the service of the general interest of the dominant classes or fractions, politically constituted as society’s general interest.”⁷⁸ In this respect, it is conceivable that in order to ‘serve’ to the political interest of capital which *objectively* consists in the ‘relations of production’, ‘modern state’ actively involves in the construction of the particular ‘historical bloc’ that might be capable of ‘articulating’ the general political interest of capital. And with regard to the Keynesian compromise, modern states’ role in the construction of the ‘hegemonic project’ expressed in the ‘historical bloc’-which

⁷⁶ Poulantzas, N, 2008, p.92

⁷⁷ Poulantzas, N, 2008, p.112

⁷⁸ Poulantzas, N, 2008, p.92

consists of particular ideologic, political and economic setting and structures- is obvious. As Lapavitsas argue:

During the long boom that followed the Second World War, the state played an increasingly direct role in developed capitalist economies. The share of government spending in gross domestic product increased steadily and much productive capacity (especially in public utilities) came under public ownership. Moreover, extensive systems of welfare provision were constructed, dealing with health, unemployment benefits, education and housing.⁷⁹

Alongside its role in the economy and social policy which had been significant for strenghtening the so-called 'compromise', state had also undertaken an active function in the practice of fordist accumulation. As Joseph puts it; "Fordism has created conditions for, and vice versa, been facilitated by, state involvement and intervention. Mass production is the basis on which state interventionist Keynesian theories rest. The state injects large amounts of capital into the economy while growth is facilitated by large expenditure and use of credit which in turn provides the economic conditions for a consumer society. Through mass production and mass consumption a key factor in the maintainance of the post-war order is achieved."⁸⁰

Therefore, in contrast to the explanations provided by economistic arguments, rather than being a passive institution whose decisions shaped totally by underlying technologic and economic conditions, nation states of the time seem to function in the construction of the 'historical bloc' which at the time, was the best fit to articulate the interests of 'power bloc'.

As elaborated in the first section, 'hegemony' refers to a moment in which contradictory interests of dominant class fractions are contained within the 'power bloc' in a way that universalizes -in Gramscian terminology- the so-called 'concept of reality' or -in Poulantzian terminology- the 'set of values' which in fact represents the interest of capital as a whole. Hence, as a 'hegemonic project', Keynesian compromise should have its respective 'historical bloc' as well as particular 'concept of reality'. As it is mentioned earlier, Fordism was based on an implicit compromise; a compromise in which the organized working population of

⁷⁹ **Lapavitsas, C** "Mainstream Economics in the Neoliberal Era" in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston** p.33

⁸⁰ **Joseph, J**, 2002, p.189

advanced capitalist countries had gained social benefits at the expense of political exclusion. Then, the question should be; which groups had involved in the so-called Keynesian compromise? In other words, from a Poulantzasian perspective what was the configuration of the ‘power bloc’ which had been ‘hegemonic’ during the Fordist era? Examining the underlying class configuration of ‘Keynesian compromise’ in detail obviously entails a comprehensive analysis which goes well beyond the confines of this section. Nonetheless, it should be noted that the ‘power bloc’ of the Keynesian compromise had mainly been made up of various sections of ‘bourgeoise’. With respect to the era of Keynesian compromise which had been marked by the dominance of ‘industrial capital’ appeared in the form of ‘large monopolies’, Poulantzas himself detects a ‘hegemonic fraction’ and subsequently named it as the “fraction of financial managers”⁸¹ or the “managers-controllers”⁸² And argued that “the role of managers-controllers, far from constituting (as it is often represented as being) the ‘revenge’ of industrial capital over finance capital, on the contrary emerges as a corollary of the increased concentration of finance capital in contemporary monopolistic society. Economic power is concentrated in the hands of this particular fraction of finance capital, which at present constitutes the hegemonic fraction of the society based on state monopoly capitalism.”⁸³ As it repeatedly emphasised above, in Poulantzasian sense, any fraction’s emergence as the ‘hegemonic fraction’ can by no means be attributed to the conscious practices of that ‘class subject’. But instead, it should be perceived as the consequence of *objective* conditions that resulted in a ‘convergence’ between the general political interest of capital and of ‘hegemonic fraction’. Thus, in this sense, it can be argued that ‘managers-controllers’ owed their position as ‘hegemonic fraction’ to the ‘convergence’ which at the time occurred between their economic-corporate interests and general political interests of capital as a whole. Therefore, the state regulation primarily aimed at the promotion of the interests of the ‘hegemonic fraction’, by definition, also ‘serves’ to the general political interest of the dominant class

⁸¹ Poulantzas, N, 2008, p.108

⁸² Poulantzas, N, 2008, p.108

⁸³ Poulantzas, N, 2008, p.108

fractions. In order to exemplify this fact with reference to the state-monopoly capitalism, Poulantzas pointed out that; “industrial capital-those medium-sized firms that still exist- and finance capital-small but especially medium-sized shareowners-themselves benefit from this ‘regulation’, to the precise extent that the general repercussions of capitalist disorder and anarchy affect them as much as they do monopoly groups.”⁸⁴

In this sense, the so-called working class ‘conquests’ realized during the era of Keynesian compromise, while being contrary to the economic-corporate interests of some sections of ‘bourgeoise’, can at the same time be considered as in conformity with the political interest of capital insofar they preserve the capitalist system from political ‘disorder’ and ‘anarchy’.

Hence, in the light of above arguments, it can be claimed that Keynesian compromise was displaying features of being a comprehensive ‘hegemonic project’ which is formed around the particular interests of ‘hegemonic fraction’ that corresponds to the general political interests of capital. And as it is emphasised in the first section, at the moment of ‘hegemony’, that political interest of capital is *universalized* as the general interest of the whole society. In order to do so, particular ‘set of values’ or the ‘concept of reality’ that articulates the general political interest of capital are diffused to the every aspect of social totality. When those particular ‘set of values’ are once recognized by the whole society as the *universal truth*, justification of political interest of dominant classes becomes possible.

Indeed, Keynesian compromise also had its own version of ‘reality’ manifested in the ‘hegemonic idea’ of the time. As discussed in the first section, any hegemonic project should have its respective defining ‘concept of reality’; that is its own vision of truth embodied and manifested in a ‘hegemonic idea’ which becomes pervasive throughout the society by inscribing itself as ‘universal’ into the ‘common sense’ of people. In this respect, Keynesian compromise had its own ‘hegemonic idea’ which appears to be in conformity with the political interest of capital consists in the ‘relations of production’. The key words that can be identified with the Keynesian era were welfarism, consumerism and full employment.⁸⁵ Commitment to full

⁸⁴ Poulantzas, N, 2008, pp.114-115

⁸⁵ Joseph, J, 2002, p.190

employment enriched by an idea of consumer society that had been supported by a wide range of welfare measures helping in the stimulation of mass consumption were the ideological cements of that hegemonic order. A strong sense of corporative solidarity embodied in trade unions and political parties was one important theme of the 'hegemonic idea' of the Keynesian era. And that hegemonic idea consisted in 'consumerism' was undoubtedly appropriate to provide necessary conditions for the maintenance of the capital accumulation model of the time. Fordist regime of accumulation which entails a continuing balance between mass production and mass consumption had been fostered by stimulated consumerism during the Keynesian era.

As it is elaborated in the previous section, The so-called golden age of capitalism which had rested on the Fordist regime of accumulation had come to an end during the mid 1970's. In fact, from 1970's onwards, the boom experienced throughout the first twenty years of Keynesian compromise had started to be reversed by the gradually emerging crisis. Alongside with the abolition of dollar-gold standard, the so-called oil-shock was signifying the collapse of post-war settlement and also heralding the imminence of an upcoming new era. Nevertheless, in spite of the fact that the emergence of economic crisis was the obvious main reason of the breakdown of Keynesian compromise, arguments that tend to interpret the crisis of post-war settlement as a simple crisis of economy are destined to be oversimplifying. Hence, despite the assumptions of the economic explanation dealt in the previous section which tends to analyse the crisis of Keynesian era simply in terms of an 'economic crisis', and accordingly which evaluates 'neoliberalism' as a pragmatic response to that, a closer inspection provides enough evidence to evaluate the crisis of post-war settlement as a much broader 'hegemonic crisis' that had finally led to the emergence of a new 'historical bloc' and accordingly to the reconfiguration of the 'power bloc'. As it is discussed in the first section of this chapter, in Poulantzasian sense, at the moment of 'hegemony', diverse class fractions of dominant classes who have their respective and even contradictory economic-corporate interests are organized within the 'power bloc'. Therefore, 'power bloc' which displays a 'unified' and 'homogeneous' image at the political level, is actually considered as an 'ensemble' of contradictory interests. However, the 'historical bloc' which articulates general political interest of capital that is constituted *objectively* through the class practices which consist in the 'relations of production' are by definition appear as the

‘hegemonic project’ of the time. In other words, the ‘hegemonic project’ of any given era, will always correspond to the general political interest of capital. In this sense, when the so-called ‘general political interest of capital’- which is constituted objectively- is become subject to a ‘shift’, the ‘hegemonic project’ and its manifestations embodied in the ‘historical bloc’ might necessarily and objectively be substituted by a new ‘hegemonic project’ that is capable of ‘articulating’ the changing ‘general political interests of capital.’. When assessed from this perspective, it seems possible to argue that, particularly from the 1970’s onwards, the existing ‘hegemonic project’ of the time- the so-called Keynesian compromise- had started to be ineffectual in the ‘articulation’ of ‘general political interest of capital’.

First factor that signifies the inability of Keynesian compromise to articulate the general political interests of dominant class and thus accounts for the emerging need of a new ‘hegemonic project’ was obviously the growing problem of capital accumulation which became evident in the declining profit rates. In contrast to the rapid increase in the real wages of working classes, profit rates of corporations had started to decline remarkably. As Dumenil and Levy argues; “ The profitability of capital plunged during the 1960s and 1970s; corporations distributed dividends sparingly, and real interest rates were low, or even negative, during the 1970s.”⁸⁶

Hence, continuing increase in the real wages when coupled with a considerable evaporation of profits had engendered a dramatic decline in the inequality. Wealthiest fractions of society who had constituted the ‘power bloc’ of the ‘Keynesian compromise’ had started to experience a serious retreatment with regard to the economic interests.⁸⁷ In other words, economic-corporate interests of dominant classes which are represented at the ‘power bloc’- albeit to different degrees- had started to be seriously damaged. That is to say, from the 1970’s onwards, the ‘hegemonic project’ of the time, the so-called ‘Keynesian compromise’ had proved as inadequate to articulate economic-corporate interests of dominant classes.

⁸⁶ **Dumenil,G and Levy,D** “The Neoliberal (Counter-) Revolution” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho and Deborah Johnston** p.12

⁸⁷ **Dumenil,G and Levy,D** “The Neoliberal (Counter-) Revolution” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho and Deborah Johnston** p.12

As it is discussed in the first section of this chapter, prevention of the anarchy and the capitalist disorder constitutes one important element of general political interests of dominant classes.⁸⁸

In this regard, another fact that needs to be underlined with regard to the crisis of hegemony, is the ‘worker militancy’ which had become remarkably obvious and influential in the advanced capitalist countries. As it is already mentioned, the era of Keynesian compromise can also be characterized with the unprecedented influence of trade unions. Particularly in the highly industrialized advanced capitalist countries, unionization had been intensive during the post-war period. Thus, in addition to the Keynesian economy rational which revolves around the principle of demand stimulation, rising influence of trade unions had brought up an era that is marked by tough negotiations between ‘labour’ and ‘capital’. In other words, throughout the post-war settlement ‘working class’ had enjoyed relatively high bargaining power which in many instances led to the emergence of better conditions for labour at the expense of relatively low profit rates for capitalist corporations. Although these remarkable concessions had been gladly tolerated within the ‘hegemonic idea’ of Keynesian compromise as far as they correspond to the general political interests of capital- in the sense that they help to create consent for capitalist order-global economic crisis that started to emerge during 1970s had shifted the paradigm. Union power manifested in “increased militancy”⁸⁹ had started to be evaluated as a significant factor that plays key role in the deterioration of economy. Thus increasing worker militancy that was dialectically engendered by the ‘hegemonic idea’ of Keynesian compromise, is now started to pose a serious threat to the interests of dominant classes. As it is emphasised in the first section, in Poulantzasian sense, at the moment of hegemony, dominated classes would be depoliticized in the sense that at the phenomenal level, they perceive their own interests as identical to the political interest of dominant classes which is in fact ‘universalized’ by the ‘class state’ as the general interest of the whole ‘nation’.⁹⁰ In this sense, increasing ‘politicization’- in the sense that they become aware of their own economic-corporate interests- of

⁸⁸ Poulantzas, N, 2008, pp.114-115

⁸⁹ Heffernan, R, 2000, p.55

⁹⁰ Poulantzas, N, 2008, p.96

working classes expressed in the emerging ‘worker militancy’, can be considered as one important signal of the crisis of ‘hegemony’.

In the light of the arguments made above, it can be claimed that the dissolvment of the so-called ‘Keynesian compromise’ was first and foremost stemmed from its emerging inability to articulate the general political interests of dominant classes. Thus, in this sense, rather than being a pragmatic policy framework aiming to handle the economic crisis, neoliberalism should be considered as a new ‘hegemonic project’ which was emanated from the need to reinforce the political interests of dominant classes. Since existing Keynesian compromise was no longer correspond to the political interests of capital, neoliberalism as a new hegemonic project was constituted to articulate the dominant class interests. In fact, a retrospective evaluation of neoliberal era verifies that the neoliberalism as a hegemonic project has managed to deliver its initial promise of restoring the power of dominant classes at the expense of worsening situation of working class. The shift occurred in the balance of power during the Keynesian compromise has been successfully reversed during the ‘neoliberal hegemony’. In other words, it can be argued that the conditions- such as plunging profit rates or increasing worker militancy- which signify the impairment of the economic-corporate as well as political interests of dominant classes have been reversed successfully by during the neoliberal hegemony. As Dumenil and Levy puts it; “ it is (neoliberalism) fundamentally a new social order in which the power and income of the upper-fractions of the ruling classes- the wealthiest persons- was reestablished in the wake of a setback.”⁹¹

From the 1980s onwards, in accordance with the expansion of neoliberal turn throughout the world, income distribution as well as the distribution of wealth and power have dramatically changed in a way that favours the wealthiest sections of society whose privileged position had relatively eroded during the last years of Keynesian compromise. Thanks to the appropriate policy preferences enriched with the deeper ideological impact of the particular, ‘concept of reality’ introduced and inscribed by the neoliberal hegemony, the dominant classes which constitute the ‘power bloc’ of the neoliberal hegemony have managed to restore their income and

⁹¹ **Dumenil,G and Levy,D** “The Neoliberal (Counter-) Revolution” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston** p.9

wealth at the expense of the ‘working class’. As Dumenil and Levy clearly express; “ One of the primary effects of the neoliberalism was the restoration of the income and wealth of the upper-fractions of the owners of capital whose property is expressed in the holding of securities such as shares, bonds or bills.”⁹² In fact, during the neoliberal era, policy choices ranging from macroeconomy to social policy have been made in conformity with the primary aim of neoliberal hegemony which has been restoration and then preservation of the interest of the dominant classes. The new accumulation pattern relying on the increasing managerial initiative in the workplace and flexible employment together with the macro economic policy preferences which first and foremost conform with the supply-side economy strategies have functioned to resettle the political economy in a way that favours upper-fractions of capitalist class. One remarkable example of this fact is the clear change occurred in the central aim of the economy policy. In the neoliberal era, full employment target of the Keynesian compromise has been given up in an attempt to maintain strict control over inflation. Although this clear transition in the primary target of economy was well reasoned by the neoliberal governments and introduced as the only alternative to tackle the problem of soaring inflation, the underlying class-based purpose and consequences of the change is self-evident. In contrast to the demand side economy policies of Keynesian compromise whose primary target had been the attainment of the full-employment level, supply-side strategy of the neoliberal era supported with the appropriate monetary policies aiming to maintain control over the price level have given priority to the preservation of the income and wealth of the capital over the income of working classes.⁹³ In essence, by holding the price control as the central principle of the economy policy and by adopting supply-side strategy which relies on the minimalization of production costs, neoliberal governments have helped to secure interests of the capitalist class.

Nonetheless, neoliberal hegemony have not reversed the era of Keynesian compromise only domestically, but also international balance of power and wealth have been resettled. A retrospective investigation concerning the economic record of

⁹² **Dumenil,G** and **Levy,D** “The Neoliberal (Counter-) Revolution” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston** p.14

⁹³ **Dumenil,G** and **Levy,D** “The Neoliberal (Counter-) Revolution” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston** p.13

neoliberalism clearly indicates that in the last thirty years the balance of wealth on an international level have been dramatically changed in a way that favours ‘center’ over ‘periphery’. As it is already mentioned, by adopting developmentalist strategies based on the so-called import substitution industrialization principles, third world countries had managed to reach certain degree of steady growth and industrialization throughout the era of Keynesian compromise. However, so-called “third world debt crisis”⁹⁴ of 1982 triggered by the major economic crisis experienced by the advanced capitalist countries that led to the remarkable rise in the interest rates had been a milestone in the political economy of periphery. Developmentalist import substitution strategies had been abandoned and subsequently substituted by a new development model that basically resorts to the attraction of foreign investment. So-called ‘Washington Consensus’ developed in accordance with market-based principles of neoliberalism has been acknowledged as the new economy blueprint of the periphery. In other words, from 1980s onwards many third world countries have started to adopt the neoliberal path. In fact, in order to handle their debt problem which had worsened by the USA’s decision of introducing strict control over monetary supply that ended up with the rise of the real interest rates, periphery countries have endorsed the comprehensive development guideline expressed in the Washington Consensus.

However, that particular approach to development embodied in the Washington Consensus has clearly failed to fulfil its promises for the periphery countries. Economic conditions of many third world countries have been significantly deteriorated throughout the post-1980 period which is primarily dominated and marked by the neoliberal prescriptions. Washington Consensus which can be identified with its market-based development model that regards privatisation, free trade, export-led growth, financial capital mobility, deregulated labour markets and policies of economic austerity could not manage to bring the faster growth; the initial promise of neoliberal framework.⁹⁵ In fact, during the neoliberal era third world countries have experienced a remarkable downturn with regard to economy

⁹⁴ **Dumenil,G** and **Levy,D** “The Neoliberal (Counter-) Revolution” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston** p.17

⁹⁵ **Palley, T** “From Keynesianism to Neoliberalism”: Shifting Paradigms in Economics” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston** p.25

and social policies. Decades of neoliberalism guided by a comprehensive market-based model have to a large extent impaired the economic growth in many third world countries including Brazil, Mexico and Argentina.⁹⁶ In return, under the neoliberal path, so-called advanced capitalist countries and their capitalist classes have benefited from the global free trade that is imposed to the countries of periphery through various mechanisms; most notably with the structural adjustment programmes of IMF. In this regard, it can be argued that the new world order promoted by the ‘neoliberal hegemony’ has provided numerous benefits for the economies of the center while seriously injuring economies of the periphery with its structurally detrimental effects. Dumenil and Levy summarise the benefits for the center as; “the appropriation of natural resources (agriculture, mining, energy) at low and declining prices; the exploitation by transnational corporations of segments of the cheap labour force of these countries who are subjected to often extreme working conditions; and the draining of the flows of interest resulting from the cumulative debt of these countries”⁹⁷ That is to say, on a world scale, neoliberal path adopted by both center and periphery in the last three decades have without doubt functioned to favour ‘developed’ economies over the ‘developing’ ones. In the same way that it did in the national level, ‘neoliberal hegemony’ managed to reverse the Keynesian compromise on an international basis by strengthening the powerful at the expense of the weaker.

Consequently, in the light of the evidences and arguments elaborated above, it is legitimate to claim that rather than being a mere composition of economic and social policies targeted to the well-being of everybody, neoliberalism appears to be a class oriented ‘hegemonic project’ aiming to restore the power and wealth of the dominant classes. In fact, its policy framework as well as the ‘concept of reality’ suggested by neoliberalism seem to be designated accordingly. Both on national and international level relative shift which had been experienced during the Keynesian era and which had-through a dialectical process- alleviated income disparity by opening up space both for periphery against the center and also for working class

⁹⁶ **Dumenil,G and Levy,D** “The Neoliberal (Counter-) Revolution” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston** pp.17-18

⁹⁷ **Dumenil,G and Levy,D** “The Neoliberal (Counter-) Revolution” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston** p.18

against the dominant classes, has been reversed by neoliberalism through the construction of a new 'historical bloc' that is capable of articulating the general political interests of capital.

In this sense, despite its self-evident failure to deliver its promises for the majority of world population, neoliberalism should still be regarded as substantially successful project considering the fact that it is primarily a "hegemonic project" aiming to favour some social groups over others in a way that at the same time will ensure capitalist accumulation.⁹⁸ Because as Milios argues; "Neoliberalism is neither a 'correct' policy for economic reform and development nor an 'erroneous' policy for of certain governments, which could be amended through reasonable argumentation and discussion. It is a class policy, aiming at reshuffling the relation of forces between capital and labour."⁹⁹

As it is discussed in the first section of this thesis, in Gramscian sense, the defining feature of any 'hegemonic bloc' is first and foremost its ability to diffuse one concept of reality to the every aspect of society. In fact the term hegemony expresses a sociopolitical situation in which one particular 'power bloc' that may consists of various social groups, stratas, classes and class fractions managed to transform the 'common sense' of society in an attempt to universalise its own version of truth. In this respect, what is called 'hegemonic project' is the comprehensive framework that is aimed at this end. Thus, neoliberalism which corresponds to a hegemonic project rather than being a mere composition of policies by definition conveys its respective 'concept of reality'. Hence, one version of truth embodied in one particular 'hegemonic idea' which can be identified as the 'market-oriented society' has been universalised during the neoliberal era. As Gramsci envisaged, that hegemonic idea have gradually become dominant in every aspect of society in its all public and private manifestations. In the next section, the 'hegemonic idea' which defines the very essence of 'neoliberal hegemony' will be discussed.

⁹⁸ **Dumenil,G** and **Levy,D** "The Neoliberal (Counter-) Revolution" in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston** p.18

⁹⁹ **Milios,J** "European Integration as a Vehicle of Neoliberal Hegemony" in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston** p.212

2.2 THE HEGEMONIC IDEA OF NEOLIBERALISM: MARKET-ORIENTED SOCIETY

As it is repeatedly emphasised above, at the moment of hegemony, the general political interest of capital is universalized as the general interest of the whole society. In order to do so, particular 'set of values' or the 'concept of reality' that correspond to the best interests of dominant classes, is become pervasive at the every level of society as if represents the 'universal truth'. Therefore, every 'hegemonic project', by definition, inscribes its own 'version of truth'- which in reality corresponds to the political interests of dominant classes- to the 'common sense' of people.

In this sense, as a hegemonic project rather than being characterized with its somewhat pragmatic policy prescriptions, neoliberalism should first and foremost be defined in terms of its particular 'concept of reality' which have become pervasive in every aspect of society and which also have engendered a comprehensive transformation of the 'common sense'. The hegemonic idea that is promoted and manifested in every aspect of society, or in other words the particular concept of reality which is universalised in an attempt to transform the common sense of the public can be identified as the 'market-oriented society'. That is to say, during the neoliberal era, a particular framework of perceptions about the truth embodied and expressed within a distinctive mindset has become dominant in a way that extends the rules and principles of the 'market' to the different segments of social phenomenon which had considered irrelevant to the market prior to the neoliberal counter revolution. This counter revolution which has been functional in the reinforcement and justification of neoliberal policies and which to a large extent managed to capture people's common sense by imposing its own version of truth should be considered as the defining and distinctive feature of 'neoliberal hegemony'. Because although practical policies pursued throughout the neoliberal era significantly differ from country to country and even experience a transition within itself, basic 'concept of reality' or the mindset which functions to manufacture consent and rational for the neoliberal turn has constantly remained in play. By doing so, underlying class foundations and ideological choices of neoliberalism have managed to be concealed successfully. In other words, by producing its own

hegemonic idea and imposing it as the new concept of reality, ‘power bloc’ manages to universalise its own class based choices in a way that might justify neoliberal policy implementations and hold liberal premises as the unique representative of the truth. In essence, the moment in which the neoliberal version of truth has started to be acknowledged as the universal truth marks the success of the construction of ‘neoliberal hegemony’

The hegemonic idea of neoliberal hegemony; what I call the ‘market-oriented society’ represents a social order in which the “judgement of market” will be accepted as the ultimate measure and foundation of all social relations. At this point, it should be underscored that what is implied in this idea is without doubt something more than just relying on market-mechanism in the economy. But instead, as the ultimate source of human freedom, it is envisaged that the judgement and morality of the market should be extended to all social relations which would have nothing to do with economy. As Munck put it; “For neoliberalism, the market is not only the most efficient to allocate resources but also the optimum context to achieve human freedom”¹⁰⁰

According to this new version of truth suggested and subsequently universalised by neoliberal hegemony, economic relations as well as political and social matters will be judged and regulated with reference to the principles of market. Because the idea which is embraced by neoliberalism and which is to a large extent derived from 18th century classical liberalism assumes ‘market’ as superior and prior to all other social relations in maximizing the common interest of society. As Shaikh points out; “Markets are represented as optimal and self-regulating social structures. It is claimed that if markets were allowed to function without restraint they would optimally serve all economic needs, efficiently utilise all economic resources and automatically generate full employment for all persons who truly wish to work”¹⁰¹

Another feature that defines the hegemonic idea named “market-oriented society” is without doubt its fundamental belief in ‘individualism’. In fact, alongside with the extension of the judgement and morality of market to the every aspect of

¹⁰⁰ **Munck,R** “Neoliberalism and Politics, and the Politics of Neoliberalism” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston** p.65

¹⁰¹ **Shaikh,A** “The Economic Mythology of Neoliberalism” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston** p.41

society, individualism is the another major principle that the idea of market oriented society is built on. In this respect, it can be argued that the new ethic promoted by neoliberal hegemony holds individual greediness expressed in popular mottos of market-oriented society such as self-fulfilment and individual choice as the most important value that can be possessed by human beings. Accordingly, in the ‘market-oriented society’, it is envisaged and advocated that those values which are considered as the generators of economic dynamism and individual fulfilment such as competitiveness and efficiency will be regarded ultimate measures of success. Particular individualistic notion promoted by neoliberal hegemony primarily consists in the classical liberal assumption of the so-called ‘rational individual’. So-called ‘rational individual’ can simply be defined as “ a fantastic creature that aims exclusively at private gain, has no altruism and strictly calculates the necessary means to achieve desire ends, but deploys neither power nor violence to achieve them”¹⁰²

Thus, it can be argued that the idea which envisages extension of the judgement and morality of market to the non-economic areas of social relations and which is fostered by a prominent version of ‘individualism’ based on the liberal assumption of ‘rational individual’ constitutes one major element of the ‘market oriented society’; the hegemonic idea of the neoliberal hegemonic project. Accordingly, ‘state’ in the neoliberal era has experienced a comprehensive transformation in a way that reconstitutes the ideas of ‘public authority’ and ‘public service’ around the judgement of market. In other words, in conformity with the hegemonic idea of market-oriented society which aims to spread the market-ethic to the every aspect of society, the common perception about the notion of state and its functions has been altered. In essence, while the society is transformed in the image of market, ‘state’ itself is now “marketized”¹⁰³. State’s function which had at least theoretically carried out on the behalf of common good prior to the neoliberal turn, now reconfigured in a way that prioritize the rules, needs, and judgement of market over the common good. Impositions of the so-called ‘market realities’ now appear to

¹⁰² **Lapavitsas, C** “Mainstream Economics in the Neoliberal Era” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston** p.35

¹⁰³ **Munck, R** “Neoliberalism and Politics, and the Politics of Neoliberalism” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston** p.63

be determinant in the decisions and functions of the state. Therefore, the ‘neoliberal state’ which has substantially been reconfigured throughout the neoliberal era appears as one of the most prominent fields in which the extension of judgement and morality of market is realized.

Along with the transformation of the perception and function of the state, the notion of ‘citizen’ has also been transformed during the neoliberal era. The new common-sense generated and established by neoliberal hegemony conceives the notion of citizenship as somewhat different from its classic democratic presentation.¹⁰⁴ In accordance with the empowerment and rise of the market in every aspect of social phenomenon, the notion of ‘citizenship’ which in its classical democratic sense, can be regarded as the vital concept of the political order has been devaluated in a way that submerge the notion of citizen within the rising phenomenon of the ‘market-oriented society’; that is the “consumer”.¹⁰⁵ Undoubtedly, ‘consumerism’ in its cultural sense has always been a vital part of capitalist society, though neoliberalism still managed to reinforce it in a unique way which redefines the role played by the notion of ‘consumer’ in the capitalist society. In the market oriented society of neoliberalism, the notion of consumer now would be considered as an encompassing concept that constitutes an indispensable part of the ‘individual’ which is in fact, deemed to be the very basic unit of society. It is now expected that people should define themselves with their ‘individuality’ enriched by and also expressed through consumption. In this regard, in the market-oriented society of neoliberalism, as Munck argues; “Citizenship was equated with government and the bad old ways before the neoliberal revolution. The individual could express his or her identity much better through consumption went the unsaid argument. While production, under the old industrial capitalism had served as a marker of identity and class divisions now consumption come to the fore.”¹⁰⁶ Accordingly, in conformity with the devaluation of “democratic citizenship”, as a matter of fact, the new concept of reality embodied in market-oriented society and

¹⁰⁴ **Munck,R** “Neoliberalism and Politics,and the Politics of Neoliberalism” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston** p.65

¹⁰⁵ **Munck,R** “Neoliberalism and Politics,and the Politics of Neoliberalism” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston** p.65

¹⁰⁶ **Munck,R** “Neoliberalism and Politics,and the Politics of Neoliberalism” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston** p.66

promoted by neoliberal hegemony has also served to undermine “democracy” and ‘politics’ in its conventional sense. Traditional class-based democratic politics of industrial capitalism which mainly consists in the class contradictions is superseded by a new version of politics which is strictly bounded up with the rules of the market. In fact, political space is now restrained by the so-called ‘realities’ and ‘needs’ of the market. Hence, democratic class based politics of classical industrial capitalism is substituted by a new ‘marketized’ version of politics which consists in the notion of self-fulfilling ‘individual’ rather than class contradictions. In fact, new ‘concept of reality’ suggested and inscribed by a hegemonic project named ‘neoliberalism’ has functioned to redefine ‘politics’ in a way that undermines class-based politics. By doing so, particular class interests that underly ‘neoliberal hegemony’ are to a large extent concealed.

Thus, class based policy preferences and social model of neoliberal hegemony is universalized by wiping class conflicts out of the political map. In addition to that, in accordance with the universalisation of neoliberal version of truth, ‘politics’ and ‘political space’ appear to be narrowed down. Since second major element of the idea market-oriented society is the depoliticization of economic matters in a way that disembeds market from all other social relations, politics and political choice is now far more restricted. By relying on the central premise of classical liberalism which assumes ‘market’ as an ahistorical self-generative mechanism that should be left to operate in a self-regulative way, neoliberal hegemony tends to advocate that the economic matters must be strictly depoliticized. Undoubtedly, this argument is arisen from the central assumption of liberal political thought which can be identified as the fragmentation of social totality. In essence, from a liberal perspective, ‘economics’ and ‘politics’ are assumed as two distinct spheres of social totality which should be held distinct from each other. In contrast to the Marxist arguments, which emphasise the political character of the ‘market’ by stressing that the so-called ‘free market’ is itself a historical entity that is designated through political processes, classical liberalism takes ‘free market’ situation as for granted. Thus, in this sense, depoliticization of economic management is held as the central element of the hegemonic idea of neoliberalism.

Consequently, in the light of the above arguments, it is possible to claim that the major issue which defines the ‘hegemonic idea’ of neoliberalism is to settle a

new balance between the ‘economics’ and ‘politics’. That is to say, during the era of neoliberal hegemony, by extending market rational to the traditionally non-market aspects of society and also by depoliticizing economic decision making process, the gap between the spheres of economy and politics has been restructured in a way that is extending the field of economy while narrowing down the field of politics. This new balance seems compatible with the interests of dominant classes- which are organized around the hegemonic idea of neoliberalism- considering the fact that while ‘political space’ that is narrowed down in the neoliberal hegemony is accessible for all social classes through democratic mechanisms albeit to different degrees, ‘space of economics’ that is extended during the neoliberal hegemony is managed through the unique rules of market mechanism expressed in the notion of so-called ‘market impositions’. Since more decisions rather than being made through political processes, are now ‘imposed’ or ‘dictated’ by market which has its own inner mechanism that automatically favours dominant classes, in the market-oriented society of neoliberal hegemony, all social classes but the dominant class are now further excluded from the decision making process. Therefore, it is legitimate to claim that the ‘neoliberal hegemony’ served to extend the scope of the ‘untouchables’ of capitalism. And as MacEwan argues, that is achieved “by removing as much activity as possible from the political realm and by erecting high barriers between the economic and political realms.”¹⁰⁷

As it is discussed in the first section of this chapter, ‘hegemonic idea’ involves political, social as well as economic elements. In other words, respective interests of ‘power bloc’ might be represented at the every level of social phenomenon. Thus, conceivably, neoliberal hegemony whose ‘hegemonic idea’ and ‘historical bloc’ by definition correspond to the general political interest of dominant class- which is *par excellence* the bourgeois class in the capitalist mode of production-¹⁰⁸ engenders its own settlement regarding the economic policy. In this sense, it can be argued that the so-called ‘supply-side model’ which can be considered as the manifestation of neoliberal hegemony in the sphere of economy constitutes another important component of the ‘hegemonic idea’ of neoliberalism. That is to say, according to the

¹⁰⁷ **MacEwan, A** “Neoliberalism and Democracy: Market Power Versus Democratic Power” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston** p.172

¹⁰⁸ **Poulantzas, N**, 2008, p.106

hegemonic idea of neoliberalism- the so-called 'market-oriented society', 'economic policy' which consists of wide range of elements should first and foremost be governed and regulated by prioritizing the 'supply-side' of the economy.

CHAPTER 3

THE POLITICAL ECONOMY OF NEW LABOUR: CONVERGENCE WITH NEOLIBERAL HEGEMONY ?

3.1 IDEOLOGICAL FRAMEWORK OF NEW LABOUR: THE THIRD WAY

In accordance with the emerging trends of world politics triggered by the supposed intensification of globalization, British Labour Party which has arguably been the central figure and most prominent representative of European social democracy had gone through a substantial transformation during the mid-1990's. Labour modernizers whose power within the party culminated with the inauguration of Tony Blair to the Party's leadership, wasted no time to initiate a new political agenda that will guide party towards 'new times'¹⁰⁹. In other words, from mid 1990's onwards, under the guidance of a particular ideological framework to be subsequently named 'third way' Labour Party 'modernized' itself in a way that is believed to help the party in coming terms with the so-called 'changing world'. Modernizers themselves chose to label this comprehensive ideological transformation in a rather courageous way by introducing the notion of 'New Labour' which is without doubt used on purpose to distance the newly-adopted ideology from the Party's past.

Hence, it is clear that in the last decade the British Labour Party has experienced a significant mutation ended up with the emergence of 'New Labour' as the bearer of so-called 'modernized social democracy'. Thus, in the first part of this chapter, ideological parameter of the New Labour which is often identified as the

¹⁰⁹ Beech, M, 2006, p.105

‘Third Way’ and its affiliation with both the so-called ‘Old Labour’ and also with ‘neoliberalism’ will be evaluated closely.

3.1.1 Breaking Away from ‘Old Left’: Criticism of Old Social Democracy

As it is mentioned above, Labour’s leading modernizers namely Tony Blair, Gordon Brown and Peter Mandelson have defined their new political agenda by referring to a courageous phrase; the ‘New Labour’. Instead of choosing to introduce the transformation they initiated as a modest change in the Party’s ideological road map, by employing the notion of ‘New Labour’, they clearly aimed to signify a radical break-up with the Party’s past. By interpreting traditional values of social democracy such as liberty, equality and community in a rather novel way, they tried to build a radically new version of social democracy capable of fulfilling the requirements of ‘new times’ which have emanated from the globalization process. In this respect, emergence of the identity of ‘New Labour’ was by no means a coincidence. It has intentionally been suggested to signify the internal mutation of the Labour Party, and also to represent the party’s aspiration to catch-up with the ‘new times’.

The term of ‘New Labour’ was firstly introduced at the Party conference in 1994; the year in which the most prominent modernizing figure of the party, Tony Blair was elected as the new leader.¹¹⁰ According to the modernizers, the term corresponds to a radical political project which is neither like ‘Old Labour’ nor similar to Thatcherite neoliberalism. Despite its blurry and abstract content which seems ambiguous at first glance, modernizers were persistent about the novelty of their political project. In other words, when the notion of New Labour was introduced in mid-1990’s, it was defined more in terms of what it is not and less what it actually is. By doing so, political inventors of the New Labour project endeavoured to distinguish themselves from the unpopular past of Labour Party which had brought consecutive electoral failures as a result of the pervasive public opinion that identifies party with the bad memories of 1970’s symbolized in the so-called ‘tax and spend’ policies. But, it is also obvious that the introduction of ‘New Labour’ was not just about an electoral strategy. Labour modernizers enthusiastically emphasised that

¹¹⁰ Beech, M, 2006, p.101

the 'New Labour' aims to develop a totally new political model that might be capable of overthrowing the old ways of traditional politics which are assumed as inadequate for tackling serious problems of the rapidly changing world. It is stressed that new politics embodied in the New Labour project may focus on 'problem solving' rather than bounding itself up with the constraining boundaries of traditional ideologies.

However, even though its ambitions was remarkably high, actual content of 'New Labour' project was not that clear at the time of the inception. In other words, back in the mid 1990's, despite its persistence and determination of distancing itself from the traditional politics represented in the left/right divide, the new politics it suggested was arguably too abstract and contradictory to define. The question of 'what is new labour ?' was a tough one to address not just for political analysts but even for modernizers themselves. Nevertheless, as a matter of fact many efforts have been made to define 'New Labour' and its ideological blueprint; 'third way'. For Tony Blair, New Labour:

is founded on the values which have guided progressive politics for more than a century—democracy, liberty, justice, mutual obligation and internationalism. But it is a 'third way' because it moves decisively beyond an Old Left preoccupied with state control, high taxation and producer interests, and a New Right treating public investment, and often the very notions of 'society' and collective endeavour, as evils to be undone.¹¹¹

Thus it can be argued that Tony Blair together with his fellow modernizers primarily defines his political project in terms of its distinctiveness from the 'Old Left' and also 'New Right'. In addition to that, some rather abstract values which are assumed as the traditional basis of the social democratic politics held as essential to the New Labour. Like Tony Blair, Anthony Giddens who can be regarded as the favourite intellectual of the Labour modernizers tends to define 'New Labour' first and foremost with its antagonism to what he calls "old-style social democracy".¹¹² And, in order to do so, as an important compound of their discourse, New Labour tends to create an image of a homogeneous 'Old Labour' that is allegedly bounded

¹¹¹ Blair, T "The Third Way: New Politics for the New Century" in The New Labour Reader ed. Chadwick, A and Heffernan, R p.28

¹¹² Giddens, A "The Third Way: The Renewal of Social Democracy", 1998, p.65

up with ‘state-centralism’ and ‘egalitarianism’.¹¹³ However, whether this kind of homogeneous ‘Old Labour’ ever exists or not is a highly controversial matter. Because from a retrospective perspective it seems clear that particularly during 1970’s, many people within the Labour Party had realized the fact that ‘post-war golden age was over’ thus the so-called ‘Croslandite revisionism’ which had to a large extent marked the Party’s ideological blueprint should be revised.¹¹⁴ As Marquand puts it with reference to 1970’s; “The revisionist centre was losing the initiative because the revisionist project of the 1950s and 1960s could no longer speak to the needs of the time; it would go on losing until revisionism had been revised.”¹¹⁵ Hence, it can be argued that the homogenous ‘Old Labour’ image -which is identified with the state-centrism, egalitarianism and state’s excessive control over civil society- eagerly emphasised by the New Labour in an effort to create their ‘antagonistic’ ‘other’ is largely a political ‘myth’ engendered by a deliberate oversimplification. In other words, by deliberately creating an image of ‘unified’ and ‘monolithic’ ‘old-style social democracy’ represented in the supposedly homogeneous ‘Old Labour’, ‘New Labour’ creates the necessary ‘antagonism’ that might be helpful to define their political agenda.

Thus, in this sense Labour modernizers’ particular interpretation of ‘old-style social democracy’ and their way of demarcation of ‘third way’ from the ‘Old Labour’ provides remarkable evidence about the main characteristics of the ‘New Labour’s’ political philosophy. Generally speaking, it can be argued that points of criticisms offered by Labour modernizers about the ‘old-style social democracy’ also accounts for the new political philosophy they have internalized. In this respect, Tony Blair, the leader of the ‘New Labour’ was not hesitant to harshly criticize ‘old-left’, in particular their attitude towards key philosophical issues such as state-market relations or the balance between equality and liberty. For Blair, old-left should be criticized with its excessive obsession about the ‘abstract equality’ which for him, led to an inconsiderate attitude towards ‘opportunity’ which he regards as vital for the

¹¹³ Blair, T “ The Third Way: New Politics for the New Century” in The New Labour Reader ed. Chadwick, A and Heffernan, R, pp-30-34

¹¹⁴ Marquand, D, 1997, p.18

¹¹⁵ Marquand, D, 1997, p.18

“new politics”.¹¹⁶ In addition to that, for Blair, so-called fundamentalist Left’s view on the issue of state and civil society which resorts to the state in the generation of freedom and which also believes that ‘state’ can replace ‘civil society’, had been problematic throughout the 20th century.¹¹⁷ Likewise, Giddens also tends to criticize ‘old-style social democracy’ with regard to its attitude towards state-civil society relations and also with its strong egalitarianism which for Giddens, led to the absorption of ‘individual liberty’.

Hence, for Labour modernizers and intellectuals like Giddens whom they have been inspired by, ‘Old-style social democracy’ that had marked the centre-left politics throughout the 20th century should be renewed in the light of the new phenomenon called ‘globalization’ which might likely to form the 21th century. Exponents of the political philosophy of third way including Labour modernizers primarily believe that many politics as well as philosophical commitments adopted by ‘old-style social democracy’ should be revised if not totally abandoned in an effort to develop a new political blueprint capable of handling the rising issues of the ‘new times’. With regard to political philosophy, New Labour’s main points of criticism towards ‘old-style social democracy’ can roughly be classified in two groups. Firstly, as it is exemplified above, modernizers have clearly criticized Old Labour’s strong egalitarianism by arguing that this firm commitment to the abstract equality had led to the absorption of ‘individual liberty’. And accordingly, it was suggested that ‘equality’ which can be considered as a vital value for centre-left politics should be reinterpreted in a way that enables ‘individuals’ to thrive. As it is implied in this Blairite version of equality which closely associates it with the ‘individual liberty’, New Labour now tends to adopt a political philosophy that recognizes ‘individual’ as the basic component of social phenomenon.

Secondly, New Labour and its affiliated political philosophy ‘third way’ seems to represent a clear break away from ‘Old Labour’ in regard to their approach towards state-civil society relations. In this respect, by openly criticizing so-called

¹¹⁶ Blair,T “ The Third Way: New Politics for the New Century” in The New Labour Reader ed. Chadwick, A and Heffernan,R. p.30

¹¹⁷ Blair,T “ The Third Way: New Politics for the New Century” in The New Labour Reader ed. Chadwick, A and Heffernan,R. pp.30-31

‘Old Labour’s’ approach which allegedly favours state over civil society¹¹⁸, ‘New Labour’ adopts a totally different position that envisages a new balance between these two. In contrast to the ‘old-style social democracy’ and its transformative language which aims to gradual alleviation of inherent inequalities of civil society through ‘state’, New Labour tends to internalize the view that recognizes ‘civil society’ as the domain of ‘individual freedom’.¹¹⁹

To sum up, it can be argued that New Labour first and foremost shapes and defines its political philosophy, by divorcing itself from the philosophical commitments of ‘old-style social democracy’. In contrast to the state-centralist, egalitarian, transformative approach of “old-style social democracy”, as Giddens puts it; “modernising left advocates a market economy and believes in decentralisation of power”¹²⁰ That is to say, Labour which had for a long time identified itself with a keen criticism of capitalism accompanied by strong ties with the working class and which defines itself as a passionate and determined pursuer of a more equal society, now under Blair’s leadership, tends to locate pursuit of free market at the heart of its political agenda.¹²¹

Although many scholars argue that Labour Party’s gradual evolution could be traced back to the early 1980’s, there is virtually no doubt that the so-called “New Labour” era which has officially begun with the inauguration of Tony Blair in 1994 represents the culmination of the Labour’s so-called ‘modernization’. In this respect, rewriting of clause four realized by Labour modernizers at 1995 can be recognized as a milestone in the process of transition that led ‘Old Labour’ to vanish, and simultaneously ‘New Labour’ to flourish. It can be argued that significance of the rewriting of ‘clause four’ of party constitution stemmed both from the apparent symbolic importance of the clause four and also from the radical character of the transformation it symbolizes. By redrafting the clause four, Labour modernizers managed to clarify their intention of breaking up with the party’s past and also prove their enthusiasm to reform the party in a radical way. In fact, for many

¹¹⁸ Giddens, A, 1998, p.7

¹¹⁹ Giddens, A, 1998, pp.78-80

¹²⁰ Beech, M, 2006, p.103

¹²¹ Fielding, S, 2003, pp.1-7

commentators revision of clause four was the ‘defining moment’¹²² of New Labour and also ‘perhaps the single most, far-reaching reform that has affected the character of the Labour Party’¹²³

Prior to the change, clause four had always symbolized Labour Party’s clear distinction from ‘liberals’ and its commitment to ‘democratic socialism’. In fact, the initial aim of the clause was to attract ‘working class’ by declaring a solid commitment to the provision of most equitable distribution of the fruits of the industry¹²⁴. And even more courageously, clause four also recognized that as a way of ensuring the ‘equitable distribution’, ‘common ownership of the means of production’ would be a valid method.¹²⁵ Therefore, with reference to the ideals and principles it had included, clause four could be regarded as the most important symbol of the Party’s willingness to bound itself with ‘socialism’, while clearly distancing its respective political trajectory from ‘liberalism’. Thus, it is no surprise that Labour modernizers who characterize their ‘new times’ notion in terms of the ‘virtues of the market’ and ‘death of socialism’ have started to initiate their comprehensive ‘modernization’ primarily by redrafting the clause four in a way that choose to emphasise the importance of a ‘dynamic economy’ which should be achieved through the ‘enterprise of the market and rigour of competition’. Hence, with the rewriting of clause four at 1995, concern about the ‘equitable distribution’ expected from the ‘common ownership of the means of production’ is now superseded with a certain promise of a dynamic economy that will thrive on the virtues of market and competition.

In this respect, redrafting of the clause four by Labour modernizers seems to unveil the main content of the change embodied in the notion of ‘New Labour’; that is the British Labour Party’s implicit reconciliation with ‘liberalism’ realized through the abandonment of ‘socialism’.

¹²² Fielding, S, 2003, p.74

¹²³ Beech, M, 2006, p.111

¹²⁴ Fielding, S, 2003, p.62

¹²⁵ Fielding, S, 2003, p.62

3.1.1.1 Coming to Terms with Market: Greater Emphasis on ‘Individual’ and Withering Away of the ‘Class’

One of the most striking areas in which New Labour’s rupture from old-social democracy becomes self-evident is their way of interpretation of social phenomenon. In the social theory adopted by New Labour, the notion of ‘individual’ seems to substitute ‘class’ in occupying the privileged position of being the basic analysis unit of the society. In contrast to the old-style social democracy which had long been preoccupied with the notion of ‘class’ as the main explanatory concept of the society, New Labour seems unhesitant to put the notion of ‘individual’ at the heart of their respective social vision. Leading figures of New Labour who can also be regarded as loyal adherents of ‘Third Way’ and its social vision, persistently emphasise the vitality of the ‘individual’ for their political map. In accordance with the comprehensive ideological transformation it has experienced during the last fifteen years, Labour Party now appears to be more concerned with the ‘individual’ and its deliberate ‘choices’, instead of ‘working class’ and its ‘needs’, which had for a long time thought to be emanated from the inherent unfairness of capitalism.

As it is already mentioned, despite its internal lack of homogeneity which complicates any attempt of analysing its ideological vision as a coherent organic whole, ‘Old Labour’ could undoubtedly be identified with a class-oriented social theory. In addition to the Party’s traditionally close ties with working class that had been crystalized in the direct influence of trade unions within the Old Labour’s inner decision-making cycles, prior to the so-called ‘new times’, Labour Party’s ‘revisionist centre’ had also ideologically bounded up with a class-based analysis of social phenomenon. Nonetheless, at this point it should be noted that British Labour Party-even though to a certain extent influenced by the social theory of Marxism-have never been a Marxist party. In contrast, it can be argued that a strong ‘liberal’ imprint has to a certain extent, always been influential within the Labour Party. In fact, during many times of twentieth-century, as Marquand argues; “the immediate

programmes of the Labour and Liberal parties have often coincided.”¹²⁶ However, despite its obvious distance from the doctrine of class war in its Marxist sense, and also its ties with Anglo-Saxon type liberalism, “the old Clause Four of the party constitution, indeed the party’s very name, have both implied a primordial, inescapable conflict of interest between workers and owners, and a special vocation for the former.”¹²⁷ That is to say, as a ‘democratic socialist’ party, prior to the change initiated under the name of ‘New Labour’, British Labour Party had always displayed a strong sense of primordial ‘class contradiction’, and thus, implicitly remained stick to a ‘proleterianist ideology’¹²⁸ that had clearly expressed in the Clause Four.¹²⁹ In accordance with that so-called ‘revisionist’ or ‘proleterianist’ ideology, Labour had tended to analyse social phenomenon in terms of the inherent ‘class contradictions’. Therefore, with regard to the nature of politics and society, as Marquand puts it “it believed in duopoly-socialist transformation against the status quo; workers by hand and brain against capital.”¹³⁰

According to that particular vision, in contrast to the liberal assumption named ‘methodological individualism’ which conceives ‘individuals’ as ‘free’ agents who are enjoying their liberty within the civil society, any attempt to analyse ‘human beings’ as isolated from the social and historical context they are living in might be delusional. Because, from a historical materialist perspective, in spite of the ‘idealistic’ premises embraced by ‘classical liberalism’, human consciousness is destined to be formed by the socio-historical context that consists in the existing material conditions.¹³¹ Thus, liberal individualistic approach towards society which treats ‘individuals’ and their ‘ideas’ as ultimate determinants by tending to overlook the influence of social factors in the formation of ‘individual consciousness’ might be misleading. Therefore, from the perspective of historical materialism, social phenomenon should be analysed with reference to the class-contradictions and

¹²⁶ Marquand,D, 1997, p.73

¹²⁷ Marquand, D, 1997, p.74

¹²⁸ Marquand, D, 1997, p.75

¹³⁰ Marquand, D ,1997, p.77

¹³¹ Elster, J, 1986, pp.26-30

accordingly, the decisive role played by the existing material conditions in the formation of human consciousness should always be in mind.¹³²

Hence, when dealing with the modern capitalist society, material conditions and the particular class-contradictions arose from them should be located at the centre of the analysis. In this sense, ‘Old Labour’ which to a large extent internalized this particular materialistic interpretation of society had always seemed ideologically convinced about the presence of inherent class-contradictions, which, in capitalist society seems to emerge between ‘working class’ and ‘bourgeoisie’. And, departing from such class-based vision, ‘Old Labour’ defines its ideological position as the determined pursuer of the interest of the so-called ‘working class’. This ideological commitment was also including an implicit assumption that capitalism and its main mechanism ‘market’ are intrinsically unfair and this unfairness should be alleviated by deliberate political action that will be realized through democracy. This particular view even marked some of Party’s official declarations; for example Labour’s manifestos for two general elections of February and October 1974 clearly wordened this transformative class-based language by promising a “fundamental and irreversible shift in the balance of power and wealth in favour of working people and their families”¹³³

Although Labour modernizers decided to keep the notion of ‘democratic socialism’ in the redrafted version of clause four by clearly stating that; “The Labour Party is a democratic socialist party”¹³⁴ ‘New Labour’ seems to abandon the class-based transformative language of ‘Old Labour’. Instead of the class-based analysis of society, New Labour tends to draw its attention to the ‘individual’ by emphasising the importance of ‘individual choices’ in the making of history.

In contrast to the class-based social vision adopted by ‘Old Labour’, New Labour, under the guidance of its new ideological blueprint, the Third Way, tends to side with the ‘liberal’ approach towards social phenomenon which, theoretically, regards ‘individual’ as the basic component of society. With reference to the ideas

¹³² Elster, J 1986, pp.26-30

¹³³ Driver, S and Martell, L, 2006, p.31

¹³⁴ Beech, M, 2006, p.113

derived from classical liberalism, ‘Individuals’ and their supposedly free ‘choices’ are now regarded as the main determinants of the social and political changes. In other words, Old Labour’s philosophical premises with regard to the formation of human consciousness, which mainly relies on the argument that ‘individuality’ is nothing more than a socially generated peculiarity of capitalism is now abandoned. And instead, an alternative interpretation of social phenomenon, an atomistic conception of society derived from ‘liberal’ political thought which stresses that the ‘individual’ is the ultimate source of value is acknowledged. As opposed to the historical materialistic arguments which believe in a certain path that should be pursued through class struggles in order to ‘liberate individual’, for liberal political philosophy, best interest of the community as well as of individual can only be achieved by enabling ‘free individuals’ to ‘choose’ and compete within the civil society.

Hence, in this respect abandonment of traditional ideological commitment of British Labour Party which arises from a class-based interpretation of society that recognizes class contradictions as primordial, and which can roughly be delineated as an ultimate promise to liberate the society by gradually transforming social relations that are peculiar to capitalism can be considered as one of the most important ideological shifts during the ‘modernization’ period. A certain individualism which unhesitantly rejects any conceptualization of social phenomenon that try to alter liberal view of atomistic society seems to characterize the political philosophy of New Labour.¹³⁵ However, liberty which can be considered as one of the essential values of social democracy has by no means been given up throughout the New Labour era.

From mid-1990 onwards, the ultimate goal of “liberating the individual” has always been an integral part of New Labour rhetoric. Nevertheless, what is now understood from liberation appears to be significantly different from Old Labour’s ideological commitment to the liberty. In other words, as an important value of Left politics, liberty has maintained its position as a key promise of Labour agenda during the New Labour era, however, the manner of the term’s use, has appeared to be entirely different. Old Labour’s way of dealing with the issue of liberty which recognizes capitalist social relations in general, and market-impositions in particular

¹³⁵ Beech, M, 2006, p.113

as obstacles to the achievement of human liberty is substituted by New Labour with an alternative conceptualization of 'liberty' which defines it with reference to the free individuals who should be empowered by government to enjoy their 'liberty' within the domain of civil society. Thus, it is possible to argue that New Labour's approach towards liberty which is going to be elaborated in the following sections of this chapter, seems to reflect their new vision about the society. A positive attitude towards the liberal individualistic view of society accompanied by a radical rejection of alternative class-based materialist interpretation can be considered as one important element that defines New Labour's political philosophy.

New Labour and its ideological blueprint Third Way's individualism is also evident in their intensive emphasis on the principle of personal responsibility. For Giddens, social democrats should revise their political agenda in order to develop a society of 'responsible risk takers'¹³⁶. That is to say, regardless of whether sphere of government, labour market or business enterprise is concerned, every individual should be held liable for his/her success or failure. Government's duty is limited only with making sure of that individuals are catching the opportunity to compete within the market in a way that does not avoid them from displaying their full potential. In other words, government's contribution should primarily be vital at the eradication of inherent privileges or disadvantages which might possibly hinder the creation of so-called 'society of responsible risk takers'. For New Labour, as Marquand argues; "Individuals compete. There are winners and losers. Having won in fair competition, the winners are entitled to their gains; indeed, they occupy the most honoured places in the social pantheon. As for losers, their duty is to lick their wounds and return as soon as possibly to the fray: New Labour has no patience with whingers or shirkers."¹³⁷ In essence, it is certain that this trust in market's judgement and its resource allocation mechanism arises from the Third Way's embracement of the liberal-individualistic social vision which presupposes individuals as "free" actors within the civil society. That is to say, Old Labour's alternative social vision which interprets the society in terms of class-contradictions that are inherent to the capitalism seems to be abandoned by the New Labour.

¹³⁶ Giddens, A, 1998, p.100

¹³⁷ Marquand, D "The Blair Paradox" in The New Labour Reader ed. Chadwick, A and Heffernan, R. p.78

New Labour's acceptance of the liberal-individualistic interpretation of social phenomenon is unsurprisingly coupled with an obvious positive attitude towards entrepreneurial culture. For Blair, market mechanism is not only critical to meeting social objectives but also it can even be essential in the promotion of social justice thanks to the so-called 'entrepreneurial zeal'.¹³⁸ Likewise, Giddens also agrees that, the entrepreneurial culture that relies on the endeavours of 'risk taking individuals' should be recognized as the engine of wealth creation, government on the other hand, might settle for a limited role in the economy which basically involves the duty of setting up the proper conditions for entrepreneurial culture to thrive. In this respect, a social vision which expects the economic and social prosperity from the efforts of 'individuals' who are assumed to have 'entrepreneurial zeal' seems to define New Labour's agenda. Values such as enterprise and self-reliance which can primarily be identified with liberalism are now acknowledged as essential principles by Blairites.¹³⁹ By the same token, 'old' social democracy's ideal of pursuing the social and economic prosperity through collective endeavour which would be stimulated directly by the efforts of government, and which will also be primarily concerned with social justice seems to be given up. In fact, New Labour, as Marquand emphasises; "espouses a version of the entrepreneurial ideal of the early 19th century"¹⁴⁰

In accordance with the adoption of so-called 'entrepreneurial ideal', New Labour seems to initiate a comprehensive transformation with regard to its economic and social rhetoric. Labour politics is now dominated by a new discourse that is, as Heffernan stresses; "articulated in the language of competition, efficiency, productivity, economic dynamism, profitability, and above all, that of individual choice and self-fulfilment in the context of market economy"¹⁴¹ In this respect, it

¹³⁸ **Blair, T** "The Third Way: New Politics for the New Century" in *The New Labour Reader* ed. **Chadwick, A** and **Heffernan, R.** p.31

¹³⁹ **Heffernan, R** "New Labour and Thatcherism: Political Change in Britain" pp.19-28

¹⁴⁰ **Marquand, D** "The Blair Paradox" in *The New Labour Reader* ed. **Chadwick, A** and **Heffernan, R.** p.77

¹⁴¹ **Heffernan, R** "New Labour and Thatcherism" in *The New Labour Reader* ed. **Chadwick, A** and **Heffernan, R.** p.51

should be underscored that what is meant by the notion of ‘individual choice’ is to a large extent, the choice of the consumer. In order to flourish the society through the ‘dynamism’ of an ‘efficient’ market economy, empowerment of consumers is considered as necessary as the encouragement of risk-taking entrepreneurialism. In fact, it can be argued that emphasis put on the citizenship and their political participation which has constituted the core values of social democratic politics is now substituted by a new point of focus; that is the choice of the individuals who are expected to define themselves as the consumers in the market. As Bevir argues; “Whereas social democrats typically used to stress the needs and welfare of producers and the political participation of citizens, they now pay as much attention to the freedom and choice of consumers.”¹⁴² Indeed, greater emphasis on the consumer choice not only reflects New Labour’s adoption of the rhetoric of “market-oriented society”, but also signifies its firm commitment to individualism. Since the choice of the consumer is now superseding the equal provision of the government, possible inequalities that result from the quality of individual choices should be accepted as fair, insofar, they reflect the merits of the choices people make.¹⁴³

Consequently, in consideration of above arguments, it can be claimed that with regard to the social vision and way of understanding about the nature of social phenomenon, New Labour represents a clear break away from the classical social democracy which had for a long time tried to alternate individual based ‘entrepreneurial ideal’ of liberalism, with a class-based interpretation of society. In other words, so-called ‘modernization’ that is conducted under the label of New Labour has led to the Party’s reconciliation with market values.

As elaborated in the second chapter, one of the defining characteristics of neoliberal hegemony’s particular social vision named ‘market-oriented’ society is its recognition of ‘judgement and morality of market’ based on the individual initiative as the ultimate source of prosperity. In this respect, it can be argued that by embracing the entrepreneurial culture as the main engine of wealth creation and prosperity, New Labour appears to reinforce the hegemonic idea of neoliberalism. Indeed, a particular social vision suggested by neoliberal hegemony that can be

¹⁴² Bevir, M, 2005, p.65

¹⁴³ Bevir, M, 2005, p.65

characterized with an individual based atomistic interpretation of social phenomenon together with the rhetoric of ‘entrepreneurial ideal’ expressed in the notions such as efficiency, dynamism and competitiveness seems to dominate New Labour’s political philosophy.

3.1.1.2 New Balance Between ‘State’ and ‘Civil Society’: Sharper Distinction?

Liberalism’s particular approach towards state-civil society relations which consists in its view about the nature of so-called social totality constitutes one of the defining characteristics of liberal political thought. Liberalism tends to perceive social totality as fragmented into distinct spheres. By assuming a rigid distinction between the sphere of politics which is mainly represented in the body of state and sphere of economics embodied in the “market” that is functioned as the key mechanism of civil society, Lockean liberalism suggests its particular conceptualization of social totality. In this respect, from that point of view, state and civil society have been analysed as strictly demarcated compartments of social totality which are in fact should be understood as antagonistic to each other. While civil society which is conceived as prior to all other social structures comes to represent the realm of freedom in which every individual is considered as entitled to use his/her own free reason without being subject to any form of coercive or restrictive interference, state on the other hand is recognized as an external mechanism that is assumed to emerge from the need for order. For Classical liberals like Locke, political activity mainly embodied in the state is in fact considered as nothing more than an adjunct instrument that is functioned to secure the necessary framework for freedom.¹⁴⁴

Therefore, from this point of view ‘civil society’ which is evaluated as superior to all other mechanisms including state because of its uniqueness for the exercise of individual freedom should remain as the central domain of social totality. State, on the other hand is thought to be an external institution designated for the preservation of the so-called ‘rule of law’. In this sense, state’s role within the social phenomenon is limited with the enforcement and protection of ‘rule of law’, which is, in essence

¹⁴⁴ Held, D, 1983, pp.12-14

assumed as the guarantee of 'individual freedom'; the ultimate value of liberalism. For Locke "the state can and should be conceived as an instrument for the defence of the 'life, liberty, estate' of its citizens; that is the state's *raison d'être* is the protection of individuals' rights as laid down by God's will and as enshrined in law."¹⁴⁵

Similarly, neoliberalism theoretically shares the classical liberal trust in the 'market' and distrust in the 'state' and thus determines its central purpose as "to narrow down the frontiers of the state and to widen those of the market".¹⁴⁶

In fact, the idea of fragmentation of social totality and, accordingly, roles envisaged for the state and civil society constitutes one of the central components of the so-called 'market-oriented society'; the hegemonic idea of neoliberalism. According to that view which theoretically underlies neoliberal hegemony's approach with regard to state-civil society relations, civil society in general and market mechanism in particular should be considered as the primary guarantor of order and wealth which are expected to be flourished automatically through the free use of individual initiative. State, on the other hand, is viewed as an institution that mainly exists "to safeguard the rights and liberties of citizens who are ultimately the best judges of their own interests; and that accordingly the state must be restricted in scope and constrained in practice in order to ensure the maximum possible freedom for every citizen."¹⁴⁷ At least in theory, neoliberalism is strictly committed to the liberal idea of minimal state. In fact, the state, particularly the welfare state that aims to mediate injustices inherent to civil society is denounced by neoliberalism for being destructive of civil order and individual freedom.¹⁴⁸ On the other hand, for neoliberalism, the sphere of civil society which is delineated as something exclusive and insular to the "politics" in Lockean sense, is considered as a self-generating mechanism of freedom and social solidarity. Therefore, it is envisaged that in order to promote individual freedom, civil society in general and market in particular should be preserved as free from any form of 'political intervention'. And

¹⁴⁵ Held, D, 1983, p.10

¹⁴⁶ Marquand, D, 1997, p.42

¹⁴⁷ Held, D, 1983, p.13

¹⁴⁸ Giddens, A, 1998, pp.11-14

accordingly, boundaries presumed as already existent between ‘politics’- ‘economics’ and ‘state’- ‘civil society’ should be widened.

In this respect, it can be argued that one of the most important manifestations of ‘neoliberal hegemony’ -which by definitions represents the political interest of dominant classes in Poulantzian sense-, is the sharper demarcation of ‘civil society’ from the ‘state’. Indeed, neoliberalism draws upon “classical liberal scepticism about the role of the state, based on economic arguments about the superior nature of markets. The thesis of the minimal state is closely bounded up with a distinctive view of civil society as a self-generating mechanism of social solidarity.”¹⁴⁹

Nonetheless, in a rather ironic way Thatcherism which can be identified with the neoliberal political project in Great Britain had initially resorted to a ‘strong state’ for the implementation of neoliberal reforms. In other words, despite neoliberalism’s central promise of ‘minimal state’, in order to procure the necessary change in the ‘common sense’ of the society in a way that favours ‘market values’ which is assumed by Hayek as a prerequisite for ‘market order’ to flourish, Thatcherism did not hesitate to rely on a ‘strong state’. Indeed, the hallmark of Thatcherism had been “the free economy and the strong state”¹⁵⁰ In this regard, Poulantzian view of hegemony might account for this apparent contradiction. As it is comprehensively substantiated in the second chapter, at the moment of hegemony, the particular ‘set of values’ that correspond to the political interests of ‘power bloc’ are *universalized*. And, the ‘class state’ might be the primary agent that functions to dispense and universalize those set of values. In other words, in the process of construction of hegemony, ‘state’ might actively establish and universalize the ‘hegemonic idea’ which by definition corresponds to the political interests of the ‘power bloc’. Thus, when assessed from this perspective, Thatcherism’s attempt to use the ‘state’ actively in the construction of neoliberal hegemony is by no means incomprehensible. So-called ‘market values’ which are thought to be necessary for the flourishing of ‘market order’ in Hayekian sense,¹⁵¹

¹⁴⁹ Giddens, A, 1998, p.11

¹⁵⁰ Marquand, D, 1997, p.42

¹⁵¹ Marquand, D, 1997, p.42

were established as hegemonic through the active endeavour of the Thatcherism's 'strong state'. As Marquand clarifies;

the triumphant New Right launched an ambitious programme of state-led cultural reconstruction, designed to humble or cripple the intermediate institutions which embodied the collectivist values of the old consensus, and to foster the entrepreneurial values which a market order requires. In short: state aggrandizement here and now, so that the state may withdraw at some stage in the future.¹⁵²

In other words, the 'hegemonic idea' of neoliberalism was including the withdrawal of 'state' from the 'civil society', however a strong state was at least temporarily necessary to establish that 'hegemonic idea' itself.

Contrary to classical liberal convictions about state-civil society relations, representatives of classical social democracy have for a long time remained adhere to an alternative approach that can be traced back to the ideas of so-called revisionists. According to that view developed most notably by Eduard Bernstein, capitalism and the ills resulted from it can be gradually transformed through the state mechanism.¹⁵³ In essence, it is suggested that by using the unique institutional capacity of state mechanism over the civil society, inherent inequalities of capitalist system might be eradicated. As a matter of fact, from this point of view traditionally endorsed by classical social democracy, postulating any rigid distinction between the politics-economics and state-civil society might be misleading. On the contrary, social phenomenon should be analysed as a organic totality that is formed through constant conflictual relations of social classes. Because in contrast to the liberal view which assumes market as prior to all other entities, this alternative approach is convinced by the Marxist interpretation of history which mainly asserts that the emergence of market in the first instance was nothing but a political process.¹⁵⁴ Hence, rigid distinction suggested by bourgeoisie political economy in between the political and economic spheres is inherently problematic. By definiton, premises held by this revisionist approach adopted by old-style social democracy about the nature of state, civil society and the relation between them are entirely antagonistic to the liberal

¹⁵² Marquand, D, 1997, p.42

¹⁵³ Held, D, 1983, p.29

¹⁵⁴ Wood, E.M, 1995, pp.19-31

individualist view which, in essence, presupposes civil society as an autonomous structure that is superior to all other social structures.

According to this revisionist approach which had marked British Labour Party for a significantly long-period of time and which was to a large extent derived from the views of ethical socialist and Fabian economics¹⁵⁵, since social ills and injustices are integral to capitalism, state intervention in civil society is essential.¹⁵⁶ As Giddens clarifies; “A strong government presence in the economy, and other sectors of society too, is normal and desirable, since public power in a democratic society, represents the collective will.”¹⁵⁷ Hence, political intervention to the civil society for the sake of social justice and also for the gradual liberation of individual from the market-impositions and injustices of capitalism had been recognized as desirable and necessary by the so-called old-style social democracy.

Therefore, it can be claimed that as opposed to the liberal individualist view reinforced by neoliberal hegemony, social democratic approach attributes a positive role to the state insofar it represents the democratic will of the public. Civil society, on the other hand, viewed as an inherently problematic entity that is inclined to generate injustices unless it is intervened and regulated by the government. In this respect, one of the defining characteristics of the representatives of old-style social democracy including Old Labour had been their distrust to the civil society which compelled them to stand for the “pervasive state involvement in social and economic life.”¹⁵⁸ To elaborate, it can be argued that for Old Labour, the distinction between the state and civil society should be intentionally narrowed down in a way that extends collective will embodied in the democratic government to the sphere of civil society.

With regard to state-civil society relations and their respective roles in the society, New Labour displays a radical rupture from the Old Labour as well as a remarkable convergence with neoliberal hegemony. Firstly, it should be emphasised that Blairites seemed to be definitely convinced with the liberal argument that

¹⁵⁵ **Bevir, M**, 2005, pp.129-137

¹⁵⁶ **Bevir, M**, 2005, pp.129-130

¹⁵⁷ **Giddens, A**, 1998, p.9

¹⁵⁸ **Giddens, A**, 1998, p.7

considers civil society as the actual domain of freedom. Therefore, as Giddens clearly asserts; “The fostering of an active civil society is a basic part of the politics of the third way.”¹⁵⁹ Accordingly, market which can be considered as a key mechanism of civil society is favoured on the basis of its unique capacity to meet social objectives. In essence, within the political philosophy of New Labour, market mechanism acquires a positive meaning as it has been advocated by classical liberalism and vigorously reinforced by neoliberal hegemony. Rather than being the ultimate source of injustices whose inherent detrimental effects on the society should be corrected through political intervention, market mechanism and its internal judgement and morality are now viewed as ethically justifiable by New Labour. As Giddens clarifies; new social democracy should “get comfortable with markets”¹⁶⁰ because “not only were markets more efficient than any other systems of production but they could also promote desirable individual qualities such as responsibility”¹⁶¹ Indeed, Blairites are keen to endorse the particular perspective suggested by classical liberalism and recently reinforced by the neoliberal hegemony which considers civil society as the domain of individual freedom that should be preserved from any external political intervention

Accordingly, in conformity with its new positive perception about the market mechanism and civil society, New Labour also comprehensively renewed classical social democracy’s conceptualization of state. As it is elaborated above, for the classical social democracy, in order to promote greater social justice through the gradual alleviation of market impositions, state which is recognized as the representative of collective will, is held responsible for the transformation of civil society. Nevertheless, this perception emanated from a certain distrust in civil society, and particularly in market mechanism, is openly criticized and denounced by Labour modernizers. For Blairites, traditional social democratic conceptualization which departs from the perception of a discredited civil society and ends up with a firm commitment to the idea of state’s direct intervention to the civil society should be abandoned. Rather than pursuing the freedom and social justice by altering the

¹⁵⁹ Giddens, A, 1998, p.78

¹⁶⁰ Fielding, S, 2003, p.80

¹⁶¹ Fielding, S, 2003, p.80

outcomes of civil society which are thought to be inherently unfair by old-style social democracy, state should function as an enabling agent that facilitates efficient operation of civil society by setting up the proper institutional and legal framework.¹⁶² At this point it should be noted New Labour's conceptualization of state is not as negative as New Right's. As different from the neoliberal view embraced by New Right which limits government's function with the legal preservation of "rule of law", New Labour persistently asserts that the state might also have a positive role in the promotion of civil society.¹⁶³ Nonetheless, in contrast to the old style social democracy, Blairites concede that state's intervention to the civil society should be aimed only at the facilitation of civil society's supposedly self-generative operation. That is to say, any political intervention from state that is deliberately oriented towards the redistribution or alteration of the "outcomes" of civil society will no longer be welcomed by New Labour. Thus, in this respect similarly to neoliberal hegemony, New Labour also seems to adhere to the view that the distinction which occurs between state and civil society should be sharpened.

In fact, internalization of the supposed distinction between state and civil society which is fostered by the liberalism's particularly positive perception about the virtues of market can be detected as one issue in which the convergence between the hegemonic idea of neoliberalism and New Labour is so evident. By giving up the transformative language of democratic socialism, New Labour clearly takes its side with the neoliberalism's hegemonic idea of fragmentation of social totality. In this sense, any political intervention to the civil society aimed at the aversion of the judgement of markets for the sake of greater equality, liberty or social justice has come to be seen as undesirable. Instead of classical social democratic approach which stands for the democratic governments direct control over the civil society, New Labour envisions a new balance between the two. According to this view which is bounded up with the liberal conviction about the desirability of autonomous civil society, and which is also arisen from the rejection of the transformative language of democratic socialism, state and civil society should be perceived as 'distinct' spheres

¹⁶² **Blair, T** "The Third Way: New Politics for the New Century" in *The New Labour Reader* ed. **Chadwick, A** and **Heffernan, R.** p.30

¹⁶³ **Giddens, A**, 1998, pp.46-47

that should act in partnership.¹⁶⁴ In this relation which is defined as strictly external, it is envisioned that they should facilitate and control each other, however, that mutual control should be conducted in a way that neither of them might have a direct control over the other. In this sense, State, rather than ‘transforming’ or ‘regulating’ civil society for the sake social justice, should function as an enabling partner of civil society.

In sum, it can be argued that Third Way agenda which has exclusively marked New Labour’s ideological perspective, has also redefined Labour Party’s perception about the state-civil society relations. In contrast to the view long-embraced by Old Labour, New Labour’s political philosophy appears to be convinced with the neoliberal idea that the relation between ‘economics’ and ‘politics’ as well as between ‘state’ and ‘civil society’ should be understood as an external relation in which two distinct entities function exclusively. That is to say, the transformative language of democratic socialism which considers state’s active intervention to the civil society as legitimate is now abandoned by New Labour in favour of a new approach which defines the relationship between these two as ‘external’. Therefore, in this sense, the idea of fragmentation of social totality which is strongly reinforced by neoliberal hegemony seems to be theoretically perpetuated by the political philosophy of New Labour.

3.1.2 Basic Premises of Third Way Thinking: New Politics for New Times

As it is repeatedly mentioned above, ‘new times’ argument held and persistently emphasised by New Labour can be considered as the major ideological premise that constitutes third way thinking. In fact, according to its advocates, the inevitable need for ‘third way’ is first and foremost emanated from the apparent political obligation to conform with the ‘new times’. Because, so-called ‘new times’, as a matter of fact brought up new problems to be addressed, new issues to be handled and also new desires to be fulfilled. Therefore, in order to manage ‘new times’ successfully, designation of a new political trajectory that will not be trapped by infertile ideological conflicts of the past is necessary. In this sense, New Labour

¹⁶⁴ Giddens, A, 1998, p.79

claims to be ‘that party’ capable of resolving the novel issues of ‘new times’ which would not be analysed and addressed within the boundaries of old political frameworks drawn by and characterized with rigid ideological divisions.

Since the notion of ‘new times’ appears to be one of the constitutive components of New Labour’s ideological discourse, elucidating the exact content and implications of the notion seems necessary to understand the intellectual atmosphere that subsequently paved the way for the New Labour movement. During the 1980’s, under the profound influence of new intellectual atmosphere fostered by the so-called, ‘neoliberal revolution’, a particular perception about the inception of ‘new times’ had become pervasive among the British left. Therefore, it should be underscored that New Labour’s argument of ‘new times’ is neither novel for British politics, nor peculiar to Blairites. Even though Blairites have first and foremost employed the notion of ‘new times’ in an effort to distance themselves from the Labour politics of the past and thus to emphasise their ‘novelty’, a perception about the ‘new times’ which in fact paved the way for a vibrant intellectual as well as political discussion had almost been a common theme of British left during the 1980’s. In regard to the emergence of ‘new times’, the underlying premise was that because of the recent transformation experienced by the world as well as by Britain which both in scale and content, is thought to be unprecedentedly ‘rapid’ and ‘radical’, the old political convictions which had for a long time marked the progressive politics of Britain were no longer valid. In addition to that, it can be argued that the radical transformation of the ‘political map’ and of ‘political culture’ engendered by the so-called Thatcherite revolution during the 1980’s, had made many British Leftist intellectuals as well as politicians feel ‘threatened’ and thus compelled them to concede that their political prescriptions- at least some of them- were to a large extent belong to the ‘post-war consensus’ and therefore should be renewed.

Although there was more than a little confusion about ‘what is new?’, ‘what does new times precisely implies?’ and even about how to conceptualize and identify it¹⁶⁵, almost everybody in the British Left- with the notable exception of ‘right wing of Labour Party’- were convinced that the “postwar settlement is over”¹⁶⁶, and thus

¹⁶⁵ Hall, S “Brave New World” in *Marxism Today*, October 1988, p.24

¹⁶⁶ Hall, S “Thatcher’s Lessons” in *Marxism Today*, March, 1988, p.20

British Left should renew itself accordingly. Because back in 1980's, advocates of the 'new times' argument were believing that "The Left seems not just displaced by Thatcherism, but disabled, flattened, becalmed by the very prospect of the change."¹⁶⁷

Nonetheless, as it is emphasised above, despite the pervasiveness of the notion of 'new times' its precise content was rather ambiguous and controversial. In other words, while almost everybody were sharing the common view that the 'old times' is over, it was impossible to detect one precise conviction about the real content of 'new times'. During the political turmoil of late 1980's, editor of *Marxism Today* journal, Martin Jacques detected the six factors that define 'new times' as following; "end of the old world where mass production and consumption are given", "profound change in the division of labour between the national and international", "crisis of communism", "emergence of an environmental crisis", "redefinition of the sexual division of labour", and lastly, "changing relationship between the state and civil society."¹⁶⁸ Likewise, today in New Labour's rhetoric, the notion of 'new times' is employed to imply a series of comprehensive political, social as well as economic changes triggered by the broad process of 'globalization'. From this encompassing perspective eagerly endorsed by New Labour politics, it is taken for granted that "Globalization is dissolving national frontiers and dethroning nation states. Jobs for life have disappeared; social classes have merged; the labour force has been feminized; the family has been transformed; old elites have been toppled; the old traditions have lost legitimacy."¹⁶⁹

Indeed, for the advocates of the third way thinking including Labour modernizers, the notion of 'new times' refers to the last thirty years which can be characterized with remarkably radical as well as unprecedentedly rapid social, economic and political changes. In other words, when the following question was asked to the Blairites, 'what sets current period apart' or simply 'what makes 'new times' 'new'' their answer would be neat and simple; 'globalization', the inevitable and also irreversible process which has been the driving force and engine of the

¹⁶⁷ Hall, S "Brave New World" in *Marxism Today*, October 1988, p.27

¹⁶⁸ Jacques, M "After Communism" in *Marxism Today* January 1990 pp.34-37

¹⁶⁹ Marquand, D, 1997, p.1

revolutionary transformation experienced during the last three decades. Indeed, according to the assumptions of third way thinking, 'globalization' has changed the world too radically to be analysed and managed with the traditional patterns of 'old politics'. Any political analysis that is developed without comprehending the essence of wide range of evolutions which have been triggered by globalisation and which have led to the metamorphosis of social phenomenon would be destined to suffer from shortcomings in its attempt to meet the challenges of the 'new times'.

At this point it should be noted that, New Labour endorses a particular view on 'globalisation' which is inclined to evaluate the process in terms of underlying technological changes. This so-called 'globalization thesis' embraced by most of the mainstream political parties of Western world including New Labour can first and foremost be defined with its three major arguments about the characteristics and nature of what we call 'globalization'. Firstly, it is argued that despite the arguments made by some notable academics, the 'change' engendered by globalisation is indisputably real, radical and observable. Thus, there is no need to be sceptical about the fact that the current world is radically different from the world of 1970's. In other words, the 'time' we are living in is without doubt 'new' enough to justify the courageous argument of 'new times'. Secondly, advocates of the 'globalization thesis' are bounded up with a certain belief that the 'globalisation' is both 'inevitable' and 'desirable'.¹⁷⁰ That is to say, any attempt to analyse globalization with refer to the intentional actions of certain agents might be misleading. Instead, it should be seen as a positive outcome of technological changes, an outcome which is to a large extent originated as independent from human will. This supposed 'inevitability' of globalisation process brings us to the third major assumption of the 'globalization thesis'. According to this particular understanding, 'globalization' should be conceived as a consequence of technological improvements which have been unprecedentedly fast and remarkable during the last three decades. Rapid improvements realized in the information technology in particular, are seen as the real engine of the globalization process. So-called 'communication revolution' which is enabled by the intensive use of computer technology thought to be a major factor in the transformation of the world.¹⁷¹

¹⁷⁰ Fielding, S, 2003, p.79

Hence, it can be argued that for the New Labour, thanks to the technological developments triggered by computer technology, so-called globalization seems to create 'new times' by shrinking the world in terms of finance, time and space.¹⁷²

Changes which arise from the reorganization of time and space appear to be evident in society, economics and also geo-politics. With regard to economics, third way ideologues are convinced about the fact that as a result of the underlying technological revolution which has led to the creation of a world of immediate communication and also immediate flows of information, dominance of market forces over the economic decisions has become indisputable. World-scale free market economy which can be characterized with the unrestricted flow of money and capital is now regarded as an inevitable and also unchallengeable outcome of technological developments. In the age of globalization, neither capitalism nor its new intensified and unrestricted form that consists in the increasing financialization of economy can be challenged. Capitalism's triumph as the only viable economic and social system is certain for the third way. As Giddens clearly asserts; "No one any longer has any alternatives to capitalism"¹⁷³. Accordingly, today's agenda for the social democracy is not to suggest an alternative to capitalism which is supposed to be impossible, but instead, to find efficient ways of regulating and governing it. Nonetheless, for the globalization thesis embraced by third way, it should also be considered that capitalism in the age of globalization has reached a new stage which seems to be significantly different from the industrial capitalism that had marked the world until the end of 1970's. Thus, conventional attempts aiming to conceptualize economy with reference to the traditional notions of industrial society should also be reconsidered. Because those notions and political conclusions deduced from them are now seen as inadequate and even in some cases, misleading to grasp the real nature and needs of the 'new times.' Most notably, for the Blairites it is obvious that nation state's ability to govern economy is today considerably eroded in comparison to the 1970's. In a globalized world like today's in which the capital, particularly the finance capital, is so fluid and mobile, nation states are obliged to set their economic and political agenda more in line with the demands of capital. Otherwise, attraction

¹⁷¹ Beech, M, 2006, pp.114-116

¹⁷² Beech, M, 2006, p.116

¹⁷³ Giddens, A, 1998, p.43

of the capital which is considered as an ultimate necessity for the economic prosperity might be impossible for any individual state. Therefore, it should be underscored that one of the most important characteristics of 'new times' is the growing influence of global markets over the decision-making mechanism of nation states.¹⁷⁴ In fact, in the 'new times', political horizons of the nation states seems to be strictly constrained by the impositions of global markets. And, for New Labour's political philosophy, since globalization that can be characterized with the global mobility of capital is inevitable and desirable, then resisting to the evident shrinkment of the political space of nation state is impossible. Instead, every nation state should renew its functions in accordance with the new constraints erected by globalization.

Globalization and the information economy it has triggered, not only stimulated changes in the sphere of economy but also, as a matter of fact, brought up a revolutionary social transformation that have led to a comprehensive reconstitution of all social relations and identities. In addition to the objective changes occurred in the demographics or economics, people's perception about their own beings and identities are claimed to be altered in accordance with the reconstitution of time and space in the globalization era. In this respect, one of the transformations that can be regarded as significantly major for social democratic politics is the structural changes occurred in the economy. According to third way political thinking, in accordance with the alteration of production patterns and further financialization of world-economy that is identified with various terms such as "post-industrialism" and "knowledge economy" traditional class configurations of industrialized countries have been remade. In order to define this new epoch we are living in, Giddens chooses to employ notions like 'post-traditional society' and 'late modernity'. In this regard, it is assumed that, in today's post-traditional society in which the qualified white-collar labour is to a certain extent takes over the central role in the economy which had been formerly played by semi-skilled or unskilled blue-collar labour prior to the 'knowledge economy', people are now more inclined to define themselves in terms of their 'individual' identity, rather than their 'class' affiliations. As Giddens clearly argues; "The class relations that used to underlie voting and political

¹⁷⁴ Blair,T " The Third Way: New Politics for the New Century" in *The New Labour Reader* ed. Chadwick, A and Heffernan,R pp.28-34

affiliations have shifted dramatically, owing to the steep decline in the blue-collar working class”¹⁷⁵ And accordingly, people are now “thought themselves as individuals, and class feeling was in retreat.”¹⁷⁶

Thus, components of the individual identities such as race, religion and culture and the political demands related with them seem to supersede class-based material demands. Indeed, Giddens argues that for the individuals of the post-traditional society, the need for self-expression becomes even more important than the maximization of economic rewards.¹⁷⁷

Therefore social democratic politics which is traditionally bounded up with the value of liberty should renew its political agenda in a way that might be designated properly to fully respond to the political demands, desires and problems of the individuals of the post-traditional society who are believed to define themselves primarily with their individual identity. Social democracy should modernize itself in a way that enables representation of diverse cultural and religious identities which are considered as integral elements of post-traditional society or in Giddens’ own terminology of ‘cosmopolitan nation’. In today’s globalized world and post-traditional society characterized with the presence of knowledge economy in which the people choose to define themselves with their individual identities, modernized social democracy should recognize “cosmopolitan pluralism” as a significant value. And, accordingly as the bearer of emancipatory politics in today’s world, it should renew its political agenda in a way that makes the inclusion of people coming from different sociological backgrounds possible. Thus, it can be argued that the political philosophy of New Labour first and foremost consists in the rejection of “linear model of modernization”¹⁷⁸ adopted by classical social democracy. Rather than being the pursuer of linear model of modernization often identified as path to socialism, modernized social democracy embodied in the politics of New Labour, is now more concerned with the construction of ‘new Britain’ that rests mainly on the idea of ‘one nation’.

¹⁷⁵ Giddens, A, 1998, p.20

¹⁷⁶ Fielding, S, 2003, p.79

¹⁷⁷ Giddens, A, 1998, p.21

¹⁷⁸ Giddens, A, 1998, p.10

Hence, in accordance with the demands of the ‘new times’, under the label of ‘one nation’, modernized social democracy envisions a society in which every individual regardless of their sociological background or identity will be included. That is to say, with the adoption of third way as the new political philosophy of the Party, British Labour Party who had long defined itself as the representative of working class and their families ceases to be a class-oriented party and redefines its electoral base as consisting of ‘individuals’ who have got diverse identities and demands for themselves.

3.1.2.1 New Meanings of ‘Equality’ and ‘Liberty’: Inclusive Society

From the very beginning of the ‘modernization’ journey, leading figures of the process have persistently emphasised that the New Labour will always remain adherent to the traditional values of social democracy. In fact, in conformity with that promise which seems to be made primarily for convincing the party’s traditional electoral base who were at the time unsure about the so-called modernization, central values of left politics, most notably liberty and equality, have been held as indispensable ultimate goals of New Labour. However, despite Tony Blair’s assertion of his main principle; sticking to the values while altering the means to achieve them, genuine content and meaning of those values have also seemed to be changed. In other words, while central philosophical commitments to the values such as ‘liberty’ and ‘equality’ are maintaining their importance within the Labour Party’s ideological map, New Labour’s particular interpretation of them appears to be significantly different from the definition beared by ‘old-style social democracy’. In this respect, throughout this section New Labour’s particular interpretation of ‘liberty’ and ‘equality’ will be analysed by comparing it with the neoliberal as well as social democratic approach.

As it is already mentioned, ‘liberty’ which can be regarded as a key value both for traditional social democracy and also liberalism, has been recognized as a primary constitutive value by the New Labour, which in essence, defines its political philosophy with reference to social democracy as well as liberalism.¹⁷⁹ Indeed,

¹⁷⁹ Blair, T “ The Third Way: New Politics for the New Century” in The New Labour Reader ed. Chadwick, A and Heffernan, R. p.28

leading Labour modernizers including Tony Blair have never been hesitant to emphasise that their politics is mainly aimed at the liberation of individual.¹⁸⁰ In addition to that, with sheer enthusiasm, they also deliberately stress that their way of understanding about the nature of human liberty is much more close to the “positive liberty” notion advocated by Left politics than the negative version of liberty that has mainly been identified with liberal political thought.¹⁸¹

As it is discussed in the second chapter, in contrast to the positive conception of liberty endorsed by Left politics, diverse stances of liberal political thought including New Right and neoliberalism tend to interpret the value of liberty mainly as “freedom from coercion”¹⁸². In fact, from this liberal point of view, an outside interference by any human agency into the free will of another individual is considered as the main threat to the liberty. An individual can be regarded as “free” only if he/she can use his/her will without being subject to “the arbitrary will of another”¹⁸³. Therefore, absence of another person’s arbitrary will is seen as the defining element of the so-called negative liberty. In this sense, for the negative conceptualization of liberty, the condition of, ‘unfreedom’ is considered as a consequence of direct restriction imposed mainly by other individuals. Hence, because of their intrinsic tendency to engulf and divert personal will which is by definition assumed as ‘free’ unless affected by any external force, interest groups based on the collective practice of ‘human will’ are viewed as contradictory to the idea of individual liberty. On the contrary, since negative conceptualization of liberty endorsed by neoliberal hegemony identifies the state of liberty as the freedom from the explicit and concrete arbitrary will of other individuals, coercion which might stem from the imposition of social and economic forces is not concerned as detrimental to liberty. By the same token, market impositions and the supposed injustices emanated from them, which are in essence, considered as the primary restrictions over the individual freedom by the positive liberty are not viewed as restrictive to the liberty. For Hayek, extending the scope of liberty to the areas such

¹⁸⁰ **Beech, M**, 2006, pp.127-128

¹⁸¹ **Beech, M**, 2006, pp.127-128

¹⁸² **Beech, M**, 2006, p.133

¹⁸³ **Beech, M**, 2006, p.124

as material deprivation or low-sense of self worth which are not directly related with the free use of individual might be misleading and counterproductive¹⁸⁴. Therefore, in contrast to the assumptions made by positive version of liberty, from Hayek's perspective embraced by neoliberal hegemony, 'market' which is elevated by the liberal political thought as the sphere of individual freedom, is favoured as a necessary mechanism for the exercise of individual freedom. From that point of view, unrestricted market, is even a requirement for the promotion of liberty, let alone being detrimental to it.

In the light of above arguments, the approach towards liberty that have marked neoliberal hegemony can be characterized with two major philosophical commitments¹⁸⁵. Firstly, it is argued that rather than being conditional upon the material well-being, 'freedom' should be understood in terms of individuals free use of his/her own will which is recognized as possible if the 'freedom from coercion' is realized. Secondly, since state of unfreedom is strictly identified with the imposition of arbitrary actions of other human beings; social and economic forces, most notably market are not viewed as capable of creating any obstacles towards individual liberty. Conversely, as a domain where supposedly free individuals are displaying their respective potentials by using their will freely in the absence of any restrictive agents, sphere of market is recognized as indispensable for individual liberty to flourish. In essence, for liberal political thought reinforced by neoliberal hegemony existence of free market constitutes an inseparable element of individual liberty.

With regard to the nature of individual freedom, in an effort to distance Blairite version of liberty from the negative liberty conceptualization held by New Right and neoliberalism, New Labour locates the theme of 'opportunity' at the centre of their liberty vision. In fact, New Labour evaluates the existence of 'opportunity for all' as an inseparable aspect of liberty. By doing so, as opposed to the negative conceptualization of liberty, New Labour relates the issue of freedom with the existing social and economic conditions. Social and economic empowerment of every individual which is expected to be enabled through the active efforts of government is considered as a prerequisite for the attainment of freedom. As different

¹⁸⁴ Beech, M, 2006, pp.120-130

¹⁸⁵ Beech, M, 2006, pp.120-130

from the negative liberty, which, in essence recognizes the absence of direct coercion as a sufficient condition of the 'freedom', New Labour considers any form of deprivation whether it is related with material poverty or social exclusion as an obstacle towards freedom. In this respect, from New Labour's point of view, an individual can be regarded as 'free' only if he/she has the 'opportunity' to achieve his/her own version of good life. Thus, New Labour's perception about liberty clearly extends the scope of negative conceptualization of liberty embraced by New Right. By recognizing the fact that, the 'liberty' should be understood as something conditional to the social and material conditions that needs to be improved through governmental endeavour, New Labour arguably tends to side with positive version of liberty which in fact has traditionally defined social democratic politics.

Nonetheless, New Labour's perception of liberty which undoubtedly represents a radical rupture from the strictly negative version of liberty advocated by libertarians like Hayek, can not be considered identical with the old-social democratic version of liberty either. Because 'positive liberty' in its traditional form, comes to refer to a perception about freedom which conceives injustices of capitalism and impositions of free market as restrictive factors that impair liberty. In other words, in a way that clearly transcends New Labour's commitment to opportunity, 'positive liberty' advocated by Old Labour, seeks to promote liberty by alleviating the injustices and impositions of free market which are seen as intrinsic to capitalism. That is to say, in the positive version of liberty, 'market', which in essence, restrains 'free will of the human' by invisibly imposing its own rules, is conceived as detrimental to human liberty. In this respect, in an effort to promote liberty for every individual, particularly for the industrial working class, redistribution of power and wealth via progressive taxation and industrial democracy is recognized as justifiable and desirable.¹⁸⁶ Hence, positive liberty of old-social democracy clearly perceives 'liberty' as liberty from the impositions of market.

Conversely, despite its remarkable effort to distance its version of liberty from the 'negative liberty', New Labour, like neoliberal hegemony also prefers to recognize 'market' as the realm of freedom; in which the human liberty is fully exercised through the free use of human initiative. Market impositions or the injustices arised from them are not considered as obstacles towards liberty, on the

¹⁸⁶ Beech, M, 2006, pp.138-144

contrary 'market' which is defined as the key component of the civil society appears to be recognized as the engine of it. For New Labour, setting up the proper conditions for everybody to compete in the market together with efforts aiming at poverty alleviation which is necessary to prevent social exclusion might be adequate to assume that 'liberty' is being enjoyed by every member of society. As different from the positive liberty perception of old social democracy which expects to promote freedom by gradually curbing market mechanism, New Labour seeks to liberate individuals by empowering them with the provision of opportunity of displaying their true potential. Thus, for example, an industrial worker who is seen by old-social democracy as a person that needs to be liberated through the extension of industrial democracy and redistribution, for New Labour, is already 'liberated' if he/she have had the fair opportunity to show his/her true potential. That is because while positive conception of liberty assumes 'market impositions' as the prime factor that impedes liberty, and accordingly recognizes its mediation via redistribution and democracy as the remedy, New Labour's conception of liberty defines it as identical with 'opportunity', and avoids the recognition of market imposition as detrimental to liberty.

In sum, in spite of New Labour's persistent effort to define its version of liberty as identical with traditional meaning of 'positive liberty' embraced by Left politics, it is possible to argue that the particular notion of liberty suggested by Blairites lacks of an essential element of positive liberty. As different from the positive version of liberty adopted by traditional social democracy, New Labour seems unwilling to recognize the restrictive effects of market impositions over the human liberty. Liberation of individual from the impositions of market which has been held by branches of social democracy including the Old Labour as an ultimate goal that might gradually be achieved through the moderation of capitalism, to a large extent appears to have lost its emphasis in the political philosophy of New Labour. Although the central promise of 'opportunity for all' without doubt involves sensibility for the detrimental effects of deprivations over the exercise of liberty, insofar, they resulted from the lack of opportunities, it still fails to grab the fact that deprivations which hinder liberty might be an intrinsic and inevitable consequence of market impositions rather than stemming from the absence of opportunity. In other words, with regard to liberty, in contrast to the Old Labour, New Labour at least to

some extent, seems to internalize the major assumption of neoliberal hegemony which tends to avoid the restrictive role of market impositions over the human liberty. Like neoliberals, New Labour's political philosophy ceases to assume so-called market impositions as such, destructive for the human liberty. For New Labour, instead of viewing the 'market mechanism' and inevitable injustices arisen from it as problematic for the enjoyment of liberty, lack of opportunity should be held responsible. Thus, since the main obstacle to liberty is no longer 'market mechanism' in itself, but 'lack of opportunity', then, the liberation of individual which maintains its central position within the Labour agenda, will now be realized through the expansion opportunities. Old Labour's democratic socialist commitment to the gradual moderation of market mechanism appears to be discarded by Blairites.

Consequently, the particular perception of liberty suggested by neoliberal hegemony to a certain extent seems to be perpetuated by Blairites. Although, in contrast to the New Right, New Labour recognizes the fact that any individuals' liberty is conditioned upon social factors, therefore, government might have an active role in the liberation of individual by setting up proper conditions for individuals to thrive, perception about the presence of the impediments towards liberty created by 'market-impositions' is still neglected. In other words, defining characteristic of classical social democracy that is expressed in the notion of 'liberation from impositions of market' through the intervention of democratically elected government is missing in the 'liberty' agenda of New Labour.¹⁸⁷

Similar to their conceptualization of liberty, New Labour's particular approach towards equality is also built around the notion of 'opportunity', which is in essence considered as the main promoter of the Third Way's notion of 'inclusive society.' In fact, the leading intellectual of the third way philosophy Anthony Giddens, ambitiously employs the term 'inclusion' as identical with 'equality'. In this regard, first of all it should be noted that commitment to the 'equality', particularly to the greater equality of outcome has always been one of the defining characteristics of classical social democracy and democratic socialism. As Giddens himself concedes; "The pursuit of equality has been a major concern of all social democrats, including the British Labour Party."¹⁸⁸ Since endeavouring for the 'social justice' is the

¹⁸⁷ Beech, M, 2006, pp.150-160

distinguishing principle of social democracy, almost every social democratic party including Old Labour to a certain extent has been concerned with the diversion of outcomes. Because from the social democratic perspective which defines market as a structurally unfair mechanism, promotion of greater social justice necessitates alteration of the outcomes of the market in a way that will favour economically disadvantaged segments of the society most notably of 'working class'. In other words, since market is seen as inherently inclined to generate unfair outcomes, any effort of pursuing social justice must include redistribution of rewards. Implicit in this view is a certain distrust for the 'judgement of market' which underlies social democracies' belief in the essentiality of redistributive government intervention to the economy. In this respect, it can be argued that classical social democracy traditionally understands "equality" as "greater equality of outcome" that is expected to be achieved through the pervasive intervention of government; an intervention that deliberately "takes from the rich to give to the poor."¹⁸⁹

On the other hand, in a rather ironic way, similar to Old Labour's, neoliberalism's view towards equality is also shaped through their perception about the 'judgement of market'. From the neoliberalism's perspective, since "no social injustice occurs through the transactions of the free market"¹⁹⁰, intervening into the judgement of market by redistributing rewards has nothing to do with social justice. Market outcome which is thought to be fair in the sense that it genuinely reflects the people's individual merits should be left untouched. Otherwise, any government intervention which is aimed at the redistribution of rewards through external intervention to the self-generative mechanism of market not only impair individual liberty but also create an unfair situation for the individuals endowed with merit. In this sense, from the neoliberal perspective mainly derived from the political philosophy of Hayek, social justice and accordingly equality should be understood as related with the equality before law¹⁹¹. Hence, government can only be held liable for

¹⁸⁸ Giddens, A, 1998, p.10

¹⁸⁹ Giddens, A, 1998, p.10

¹⁹⁰ Foote, G, 1986, p.60

¹⁹¹ Beech, M, 2006, pp.160-161

the protection of 'rule of law' which is considered as the exclusive basis of justice.

As Beech argues:

For example, when a thief steals a wallet then an injustice is perpetrated on the victim of the theft. In the free market economy the New Right argue that no laws are violated and furthermore, that no injustice occurs even if individuals lose their jobs, or are rewarded in a disproportionate way because the operation of the market reflecting decisions by countless individuals does not intentionally cause injustice of any kind.¹⁹²

That is to say, whatever outcome is generated by the market it should be left as such. Since inequality and poverty do not constitute any sort of 'unfreedom', then outcomes of the market should be acknowledged as acceptable results that reflects respective capacities of the individuals, and therefore, it is not possible to find any legitimate ground for the redistribution made through external intervention of the government.

In sum, in the light of above arguments, it can be claimed that the antagonism that occurs between the classical social democracies' and neoliberalism's respective approaches towards 'equality' stems from their completely opposite and contrasting views about the 'judgement and morality of the market'. And, in this respect, New Labour once again perpetuates the hegemonic idea of neoliberalism that can be characterized with a deep trust in the judgement of market. In other words, despite its rhetorical commitment to the equality and greater social justice, New Labour's equality vision represents a clear break away from the classical social democracy and simultaneously displays a remarkable convergence with neoliberal hegemony, insofar, it is formed through a certain trust in the 'judgement of market'; the central theme of the neoliberal hegemony.

Although consecutive New Labour governments have sent complex and sometimes contradictory signals about the version of equality that they remain committed to, it is beyond doubt that in contrast to the classical social democracy's approach embraced by Old Labour, the equality version envisioned by New Labour implicitly reflects their trust in market. As in line with the hegemonic idea established by neoliberal hegemony, New Labour's political philosophy considers market mechanism as the fair and impartial reflector of individual merits. Thus, outcomes generated by it does not need to be averted for the sake of social justice.

¹⁹² Beech, M, 2006, p.161

Like neoliberal hegemony, New Labour adheres to the view that the reason of the poverty of an individual is not the inherent injustice of market mechanism, but instead, individual himself. Therefore, idea of implementing a government managed redistribution in the form of taking from the wealthy and giving to the poor has not been popular among the Labour modernizers. Instead of concerning with the ‘greater equality of outcome’, New Labour’s vision of equality has focused on two rather moderate aims which are embodied in the novel idea named “progressive universalism.”¹⁹³

Although it has not been substantially clarified since its inception, ‘progressive universalism’ can be defined as the idea that is mainly oriented towards the aim of inclusive society, the social vision of New Labor where the principle of ‘opportunity for all’ is being achieved. For New Labour, in the new times that is characterized with the post-traditional society, ‘equality’ should be understood in terms of “social inclusion”. And conceivably, by the same token ‘inequality’ might refer to the condition where any form of social exclusion is occurred. Therefore, with regard to the value of equality that is considered as the defining element of Left politics in general, New Labour shifts its point of attention from ‘distributional justice’ to ‘social inclusion’. A certain aspiration for the inclusive society that is expressed in the New Labour’s favourite notion of “opportunity for all”, seems to form Blairites’ agenda of equality.

The central theme of the New Labour’s vision of inclusive society is without doubt “work”. For Blairites, inclusion of every member of society is first and foremost can be guaranteed by empowering individuals with the proper skills required in today’s knowledge society. Because for Blairites, as Harman argues; “Work is the only route to sustained financial independence. But it is also much more. Work is not just about earning a living. It is a way of life.”¹⁹⁴ In this sense, for New Labour, in contrast to the conviction of classical social democracy, factors that impel people to exclusion from society can be eradicated not by providing them with financial support in the form of collective provision, but by helping them in fulfilling their aspirations. In fact, for Blairites “the issue for socialists is not so much about

¹⁹³ **Beech, M**, 2006, p.156

¹⁹⁴ **Levitas, R**, 2005, p.151

what the state can do for you, but about what the state can enable you to do for yourself.”¹⁹⁵ Thus, accordingly since equality is redefined by New Labour in terms of inclusion, then equality agenda of Blairites are now more concerned with the empowerment of individuals rather than the fair distribution of outcomes. If everybody is having the fair opportunity to display his/her individual potential in the market without being impeded by any inherited factor such as race, religion or family background, then social justice is considered as served for New Labour. By the same token, outcomes of the market mechanism and rewards achieved from it as well as failures are seen to be fair insofar they supposedly reflect people’s individual merits without being distorted by any inherited factor. Indeed, whereas traditional social democratic argument that is departed from the certain distrust in the judgement of market mechanism claims the opposite, for New Labour rewards or outcomes of the market will not be redistributed. In fact, while inclusion was substituting the notion of equality, meanwhile redistribution of outcomes and rewards which had been the peculiar characteristics of classical social democracy is also wiped off from Labour’s agenda. Although, they persistently emphasise that ‘redistribution’ should remain in the agenda of social democracy, it should no longer be interpreted as the ‘redistribution of rewards’ aimed at the greater equality of outcome, but as “redistribution of possibilities”¹⁹⁶ designated towards ‘social inclusion’. For the third way, as Giddens clarifies; “redistribution must not disappear from the agenda of social democracy. But recent discussion among social democrats has quite rightly shifted the emphasis towards the ‘redistribution of possibilities’”¹⁹⁷ “After the event”¹⁹⁸ redistribution, on the other hand, to a large extent seems to be given up within the agenda of third way. Once the ‘event’ itself is recognized as the fair reflector of the individual merits, then there is no need to redistribute outcomes engendered by it.

Hence, it can be argued that once again trust in the ‘judgement of market’ happens to be the underlying factor that leads to a remarkable shift in the Labour’s

¹⁹⁵ Levitas, R, 2005, p.135

¹⁹⁶ Giddens, A, 1998, pp.100-101

¹⁹⁷ Giddens, A, 1998, pp.100-101

¹⁹⁸ Giddens, A, 1998, p.101

agenda of 'equality'. While Old Labour which was convinced that the 'judgement of market' is inherently unjust, had insisted that the outcomes of market mechanism should be redistributed in a way that favours the poor, New Labour which adheres to the liberal conceptualization of market mechanism, emphasises that the redistribution of outcomes in the form of taking from rich and giving to the poor should be rejected. In this respect, it can be argued that New Labour which identifies equality with inclusion, and inequality with exclusion seems to adopt liberal notion of 'greater equality of opportunity' instead of 'greater equality of income' that had long defined social democracy and democratic socialism.¹⁹⁹

Nevertheless, although Blairites are not so keen to engineer outcomes for the promotion of social justice, they still attribute a role to the government in the eradication of poverty. In fact, together with the empowerment of individuals to show their individual potentials, second layer of the Blairites' 'equality' vision expressed in the notions of 'progressive universalism' and 'social inclusion' is the combat against poverty. For New Labour, government should actively seek to combat against poverty insofar it appears to be an impediment towards the inclusive society. Because, it is thought that people who suffer from extreme poverty will automatically be detached from the social mainstream. However, at this point it should be noted that in contrast to the classical social democracy's attempt of engineering the outcomes through redistribution, government intervention into the outcomes that is envisioned to be made in the form of poverty alleviation by New Labour is not aimed at greater social justice. Instead, it is designated to promote inclusive society by preventing the detachments from social mainstream resulted from excessive poverty. Besides, alleviation of poverty can by no means be identified with 'greater equality'. Because, decrease in the poverty level that is realized through increasing the incomes of the worst off, might go hand-in-hand with greater income disparity if wealthy segments of society enjoy a relatively bigger increase in their incomes.

Thus, to sum up it can be argued that contrary to Old Labour's, New Labour's approach towards the issue of equality does not reflect any class-based ideological preference that is expressed in the redistributive measures capable of functioning in favour of working class and their families. In spite of the fact that they put a stronger

¹⁹⁹ Bevir, M, 2005, p.65

emphasis on the ‘equality of opportunity’ in comparison to the Thatcherite New Right, in consideration of their unwillingness to redistribute rewards resulted from market, New Labour seems to reinforce and legitimize the hegemonic idea of neoliberalism. Because New Labour’s notion of equality first and foremost designed on the basis of a certain trust in the judgement of market which can be considered as the defining characteristic of neoliberal hegemony. Besides, in contrast to the classical social democracy, ‘equality’ that is going to be realized in the form of distributional justice is no longer considered as an ultimate goal for New Labour. Instead, new version of equality which is perceived as identical with the notion of ‘inclusion’ is recognized as a necessary instrument for the attainment of ‘individual liberty’.

3.1.2.2 Globalization in New Labour Thinking: A Process Coming From Nowhere?

As it is reinstated throughout this thesis, obvious central incentive that induce British Labour Party to modernize was the inception of ‘new times’ which is thought to be radically different from the preceding era. Indeed, Blairites are convinced that in the last three decades or so, world economy as well as society and politics have gone through a comprehensive transformation which makes traditional settlements and explanations about the nature of social phenomenon invalid. With regard to the uniqueness of the recently experienced transformation Blair pronounces; “ I believe it is no exaggeration to say that we are in the middle of the greatest economic, technological and the social upheaval that the world has seen since the industrial revolution began over two hundred years ago.”²⁰⁰ In fact, from the very beginning of the so-called modernization process, the essence of the New Labour thinking has been the political aspire to accomodate with the new world which is assumed by the ‘modernizers’ as radically different from the past. The radical social, economic and technological upheaval mentioned by Blair and his fellow modernizers is underlied by the ambiguous but equally fashionable phenomenon of our times; ‘globalization’. That is to say, from the perspective eagerly embraced by New Labour thinking,

²⁰⁰ Callinicos, A, 2001, p.28

globalization which is to a large extent defined in terms of the comprehensive transformations it has triggered, appears to be the main reason that makes renewal of politics in general and social democracy in particular as necessary.

In fact, according to Labour modernizers, New Labour can first and foremost be characterized as a proper political response to the 'globalization process' which is regarded as an irreversible, desirable, undeniable and also unchallengeable 'fact' of the century we live in. In other words, for the New Labour thinking, rather than being a deliberately initiated political process formed by political actors or 'agencies', globalization should be understood as a politically impartial, objective reality that is capable of reshaping the social phenomenon. Therefore, attempting to reverse or challenge the globalization process through a political effort will make no sense since the process itself is an objective outcome of politically neutral technological developments. As Kiely asserts:

A major part of the third way argument was that it was impossible to escape from the reality of globalization. It was an argument that assumed that the globalization of markets and technology were beyond the realm of politics, and that states could only react to these forces in one particular way. This was because globalization had literally arrived from nowhere, it was a fact of life.²⁰¹

And accordingly, since defying against the process of globalization is destined to be an inconceivable effort, best thing to do is renewing the political agenda that will address the needs of the 'globalized world'

In the light of the above arguments, it can be inferred that New Labour thinking fostered by the ideological road map suggested by third way, endorses a particular language about the globalization process which is inclined to take it for granted. In fact, as a conceivable result of their certain conviction about the impartial and politically neutral character of the process, Blairites are not even concerned with the initial purposes or agencies that have triggered the process of globalization, instead, their political blueprint is mainly aimed at developing the proper policies to meet the challenges and demands of the new era. Therefore, as a matter of fact, they seem ready to operate within the new boundaries of politics set up by globalization process rather than challenging those boundaries in a decisive way. Because by strictly relating the initiation of globalization with the technological developments and thus divorcing it from the deliberate choices of political agencies,

²⁰¹ Kiely, R, 2005, p.82

New Labour thinking implicitly depoliticizes ‘globalization’ and regards it as an ideologically neutral new era; a new stage of civilization that brings up particular opportunities as well as problems. As Kiely puts it for New Labour thinking; Globalization and modernization are irreversible forces abstracted from real agents and interests, and, therefore, submission to these forces is regarded as both inevitable and desirable. The new modernising force of globalization is regarded as purely technical and external to real agents and interests, rather than the source of new (and not so new) inequalities of power.²⁰²

This particular view of globalization which tends to conceive the process as a new neutral stage of civilization rather than a deliberate political project rests mainly on a particular hypothesis about the content and source of globalization process. According to this hypothesis suggested by Giddens with particular reference to the ideas of Manuel Castells, what we call globalization is first and foremost stemmed from the further compression of ‘time and space’ resulted from the striking improvements occurred in the information technology throughout the last thirty years or so. In fact for Giddens, this compression of time and space that can be characterized with the further intensification of world wide relations which is considered as the inevitable and desirable outcome of the breakthrough technological developments constitutes the substance of globalization process. He clarifies his own view as following; “Globalization, as I shall conceive of it in what follows, at any rate, is not only, or even primarily, about economic interdependence, but about the transformation of time and space in our lives. Distant events, whether economic or not, affects us more directly and immediately than ever before.”²⁰³ In this respect, economic and political changes engendered by globalization such as mobility of finance capital or erosion of nation states’ sovereignty are considered as the inevitable ‘outcomes’ of the new settlement of ‘time and space’, rather than being the initial ‘purposes’ of the process.

By the same token, the underlying engine that initiated globalization process is thought to be the autonomous technological developments resulted in the resettlement of time and space rather than the deliberate decisions made by political

²⁰² Kiely, R, 2005, p.84

²⁰³ Giddens, A, 1998, pp.30-31

agencies. In short, by heavily relying on purely technological arguments, Third Way thinking, to a large extent seems to exclude ‘politics’ from the genesis of globalization.

Technological developments, most notably, “the communication revolution”²⁰⁴ and “the spread of information technology”²⁰⁵ which led to the compression of time and space are considered by Giddens, as the central driving force behind the radical transformation of world experienced during the globalization process. In this respect, in order to ground their notion of ‘time and space compression’, exponents of the Third Way thinking including Anthony Giddens himself seems to resort to the arguments made by Manuel Castells.

For Castells, contemporary society should be analysed with reference to the two distinct defining characteristics. First, the ‘mode of production’ which refers to the capitalism and its particular structural mechanism that can be identified with generalisation of commodity production, and second, the so-called ‘mode of development’; the notion employed by Castells to define technological developments. That is to say, as different from the classical Marxist conceptualization of society, Castells distinguishes technological developments from the “mode of production” that consists in the accumulation regime. And accordingly advocates that the ‘mode of development’ which is primarily determined by the existing technological arrangements can by no means be reduced to the logic of accumulation.²⁰⁶ That is to say, in Castells thought embraced by Third way thinking, technological arrangements of production now occupies a distinct category named ‘mode of development’ which operates on its own logic without being formed directly by the logic of accumulation represented in the ‘mode of production’. In this respect, by somehow divorcing the technological developments from the internal logic of capitalist mode of production and by deliniating so-called ‘technological developments’ as an external independent variable which has its own internal dynamics, locating the globalization process at beyond the realm of politics becomes possible. In other words, by internalizing Castells’ distinction between the ‘mode of

²⁰⁴ Giddens, A, 1998, p.31

²⁰⁵ Giddens, A, 1998, p.31

²⁰⁶ Callinicos, A, 2001, pp. 33-34

development' and 'mode of production', Third Way justifies its particular conceptualization of globalization which can in fact be characterized with a clear depoliticization of the process.

Hence, unsurprisingly, Castells comes to define globalization process in terms of the transition occurred in the 'mode of development'. For Castells, although it is impossible to talk about the demise of capitalist 'mode of production' in the sense that its particular logic of accumulation is still very much alive, globalized world should still be considered as structurally different from the preceding era insofar that the 'mode of development' has gone through a substantial transition during late twentieth century. Although capitalism still occupies its central place as the existing mode of production, the particular 'mode of development' named "industrialism" which had marked capitalism until the 'information technology revolution', seems to be overthrown by a new 'mode of development' named 'informationalism',²⁰⁷

This change occurred in the 'mode of development' which is thought to be inevitable and politically impartial in the sense that it is driven solely by autonomous technological developments rather than the deliberate choices of 'agencies', seems capable of engendering the radical qualitative break experienced in society, politics and economy during the globalization process. Therefore, it now becomes internally coherent to argue that what we call 'globalization' is a non-political process prompted by inevitable technological developments that finally led to the transformation of 'mode of development'.

Nonetheless, despite its internal coherence, third way's particular view on globalization which is theorized mainly by Giddens and Castells seems to be criticizable in many respects. Firstly, as it is elaborated above Giddens' conceptualization of globalization process embraced by New Labour thinking, seems to consist in a rigid fragmentation of social totality which conceives economy as a self-generating natural system that is mainly configured as related with technological developments. In other words, Third way's understanding about the nature of globalization arises from a certain trust in the liberal view of society which is based on the demarcation of economy from all other social relations.

²⁰⁷ Castells, M "The Rise of the Network Society", 2000, Blackwell Publishers

However, as Munck puts it with refer to Polanyi; “Market society and market rules did not evolve naturally or through some process of self-generation.”²⁰⁸ That is to say, as Marx clearly stresses with regard to the ‘secret of primitive accumulation’, capitalist production was initially constructed through a historical process, “a process of class struggle and coercive intervention by the state on the behalf of the expropriating class.”²⁰⁹ Therefore, in contrast to the liberal interpretations of society, what is called ‘economy’ is first and foremost underlied by a ‘political’ process, a process that is constantly remade by deliberate attempts of ‘agencies’ reflected in the continious class struggles.

In this respect, since ‘economy’ appears to be internal to the ‘politics’ in the sense that the ‘mode of production’ is strictly bounded up with the particular social relations rather than being a purely technical matter, any change occured in the ‘economy’ should be understood as related with power relations among the social classes. Thus, in contrast to the arguments adopted by third way thinking that mainly rest on the demarcation of economy from its social determinants, globalization process and the outomes engendered by them should be understood as political matters which are initiated through the intentional efforts of social classes.

Otherwise when the ‘economy’ is perceived as disembodied from all other social relations and conceived as a self-regulating technical matter configured and transformed only by technological conditions of production, then the changes occured in the economy are by definition started to be taken for granted. In fact, third way’s way of understanding about the globalization process seems to suffer from this technological reductionism. Adherents of third way thinking understands globalization process as something neutral, impartial, irreversible and politically unchallengeble insofar as they conceive ‘economy’ as a non-political matter bounded up with technology. For example, when the increasing mobility of financial capital is started to be considered as an automatic and inevitable consequence of improvements occured in the information technology rather than being a class-oriented capitalist strategy deliberately pursued by ‘agencies’, then it becomes impossible to challenge it politically. As Kiely argues; “In his enthusiastic embrace of current processes of

²⁰⁸ **Munck, R** “ Neoliberalism and Politics, and the Politics of Neoliberalism” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston**, p.177

²⁰⁹ **Wood, E.M**, 1995, p.21

social and political change, Giddens loses sight of the forces that have promoted these changes, and he therefore simultaneously fails to examine either the power relations or the unequal consequences of these changes. The result is a conflation of outcome and social agency, with the effect that globalization is taken as given, and ‘outcome’ blurs the boundaries of inevitability and desirability.”²¹⁰ Hence, from the perspective of third way thinking advocated most notably by Giddens, it is possible to argue that both the content and outcomes of globalization process appear to be ‘untouchable’ no matter how unequal their consequences might be. Therefore, by the same token class interests that are attached to the very essence of globalization process are ‘universalized’ and taken for granted by third way thinking to the degree that ‘agencies’, power relations and political efforts that have initiated the process are neglected.

In this respect, politics is reduced to a mere effort of ‘catch-up’ aimed at the renewal of political perspective in a way that might conform to the new situation supposedly created by non-political changes occurred in ‘technology’ and subsequently in ‘economy’. This downplay of politics stemmed from the rigid fragmentation of social totality seems to characterize the political logic of New Labour. As it is already mentioned, since ‘globalization’ happens to be an inevitable process resulted from supposedly non-political development of technology, there is no option left for Labour politics other than accommodating to the so-called ‘realities’ of the globalized world which is in fact labelled as ‘new times’ in New Labour rhetoric. Since the very essence of the transformation is understood as non-political, attempting to reverse or alter that transformation through political efforts is considered as an impossible task. That is to say, from the perspective of New Labour thinking, globalization and the outcomes it has engendered are conceived as ‘outside’ the realm of politics and therefore all political actors and agents including Labour have not other option other than confining their political endeavour within the new boundaries drawn by globalization process. In this sense, all political actors are delineated as passive and external agents who are in fact appear to be powerless in their relation with ‘globalization’ process. And in New Labour’s account, nation state is no exception. In fact, for New Labour, one of the most important consequences of globalization process is without doubt the relative weakening of nation state *vis-a-vis*

²¹⁰ Kiely, R, 2005, p.16

global markets. Because of the globalization in general, and creation of borderless world market in particular, as Blair himself mentions; “the room for manoeuvre of any government in Britain is already heavily circumscribed.”²¹¹ Hence, since it is supposed as impossible for any single political actor to move decisively beyond the new boundaries of politics determined by the globalization process, national governments should

At this point, it should be underscored that New Labour’s particular perception regarding the outcomes of globalization process which stresses the fact that the nation state has lost its power against the ‘market’ is in fact rests on the liberal conceptualization of social reality that conceives ‘state’ and ‘market’ as opposed forms of social organization. In this respect, while on the one hand state is considered as a thing-like ontologic entity which appears to be external to the all other social relations, on the other hand, market is implicitly conceived as a self-regulating independent entity which happens to be inherently disembedded from the realm of ‘politics’. By doing so, nation state as well as all other political dynamics such as labour movements or class relations in general are now depicted as powerless against the transformation of economy. Since during the age of globalization, ‘economy’ is experiencing a supposedly non-political transformation stemmed solely from the technological developments, national governments should design their political trajectory accordingly, regardless of whether or not they are willing to do so. In turn, national governments that is perceived as totally powerless against the dynamics of so-called changing world should now seem to be strictly confined with the new boundaries drawn by the neoliberal political economy agenda which undoubtedly defines ‘globalization’ in its current form. As Blair makes it clear; “Globalization has transformed our economies and our working practices....Any government that thinks it can go it alone is wrong. If the markets don’t like you policies they will punish you.”²¹² As it is self-evident in Blair’s own words, in this particular conceptualization endorsed by third way thinking, ‘globalization’ seems to be delineated as ‘subject’ that is exclusively responsible for ‘the transformation of

²¹¹ Callinicos, A, 2001, p.26

²¹² Kiely, R, 2005, p.83

our economies and working practices' while 'nation state' appears to be the passive 'object' that necessarily complies to that transformation.

Therefore, departing from this view about the nature of globalization which conceptualizes it as a non-political process that inevitably led to the weakening of 'nation state' against the 'global market', New Labour implicitly concedes to the new narrowed down version of national politics. Since national governments are depicted as virtually powerless in their relation with global markets, like all other national governments of globalization era, New Labour government seems to have no option but to come into terms with the so-called 'necessities' of global political economy. And, in the light of the fact that the so-called 'necessities' of the global political economy which are supposedly stemmed from the natural progress of civilization rather than being the deliberate 'project' of any political agency, are to a large extent formed by the principles of neoliberalism, then New Labour's recognition of the inevitability and irreversibility of 'globalization' in its current form.

In other words, New Labour's approach to globalization which mainly rests on the 'depoliticization' of process through the negation of underlying political purposes, power relations and agencies, as a matter of fact, seems to led to the perpetuation of neoliberal political economy through 'depoliticization'. That is to say, particular class interests which underlies neoliberal political economy are disguised under the veil of 'globalization'. By doing so, unpopular policy measures suggested by neoliberal political economy are now justified and universalized insofar they are presented as the 'necessities' of globalization process. In this respect, the process of globalization which is deliniated as a 'catch all' term occured 'outside of politics'²¹³, becomes "most convenient scapegoat for the imposition of unpopular and unpalatable measures"²¹⁴

In this sense, New Labour government which considers 'erosion of political space' and 'weakening of nation state' as the inevitable 'facts of life' rather than being the outcomes of a deliberate hegemonic project, manages to justify its internalization of neoliberal political economy by implicitly reinforcing the infamous

²¹³ Kiely, R, 2005, pp.82-87

²¹⁴ Hay, C "What Place for the Ideas in the Structure-Agency Debate? Globalization as a Process without a Subject", www.theglobalsite.ac.uk, p.17

Thatcherite statement; ‘there is no alternative’²¹⁵, indeed for New Labour, undoubtedly there is no alternative left for any national government other than complying to the requirements of global political economy. Therefore, in this account globalization is in fact becomes the useful pretext or in other words the ‘ideal shell’ for the neoliberal policy implementations. Numerous unpopular policy implementations ranging from industrial to the economic policy are now started to be ‘taken for granted’ in the sense that they are considered as inevitable outcomes of the rapid transformation of the world encompassed in the catch-all term of ‘globalization’. For example, as Kiely argues; “Policies that promote labour-market flexibility and structural adjustment are thus justified on the basis that there is no alternative in the era of global competitiveness”

Thus, in this respect, it can be argued that the particular globalization discourse embraced by third way thinking seems to constitute neoliberalism as ‘hegemonic’ in its full sense. As it is elaborated in the first chapter of this thesis, in Gramscian sense “hegemony” comes to represent a sociopolitical situation in which one particular ‘concept of reality’ or ‘one version of truth’ is universalized and naturalized in the every aspect of society. When the ideas that represent the particular interests of ruling classes are internalized by the whole society as the ‘universal’ truth without relying on coercive intervention or direct imposition of that ideas, and accordingly when the underlying class interests become invisible, then it becomes possible to talk about the ‘hegemony’ in its full sense. Therefore, thanks to the particular discourse of Third Way thinking that manages to justify neoliberal political economy by presenting it as the non-political ‘facts of life’ engendered by ‘globalization’, ‘neoliberal hegemony’ appears to be further consolidated and perpetuated in the sense that its particular ‘hegemonic idea’ expressed in the notion of ‘market-oriented society’ is universalized as natural. In other words, policy prescriptions of neoliberal political economy are now considered as politically ‘untouchable’, and thus ‘taken for granted’ by all political actors. Indeed, in this account, scope of the political space and democratic control seem to be remarkably constrained.

As it is elaborated above, particular conceptualization of globalization process suggested by third way thinking first and foremost identifies the it with the inevitable

²¹⁵ **Munck, R** “ Neoliberalism and Politics, and the Politics of Neoliberalism” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston**, p.60

retreatment of 'nation-state' *vis-a-vis* 'global market'. The assumption implicit in this view is that the transformation occurred during the globalization process has been realized as independent from the will of nation states. In other words, within the process of globalization nation state is defined as a passive 'object' which has been exposed to the consequences of globalization rather than being the active agent that deliberately initiates and promotes the process. However, in contrast to this view pervasive around the mainstream politics, a retrospective analysis concerning with the initiation of globalization process in general, and global mobility of capital in particular clearly displays that let alone being a passive 'object' of the process, nation states have actively promoted 'globalization'. In fact, particularly throughout the period between 1980's and 1990's which can be characterized with the rising influence of globalization around the world, nation states have participated actively in the formation of 'new times' or 'global political economy'. In order to constitute the global political economy in its current form which is assumed as an inevitable consequence of 'modernity' by third way thinking, nation states deliberately followed a particular roadmap. In this respect, as Munck asserts; "Capital mobility was facilitated, free trade was sanctified, labour was made more 'flexible' and macroeconomic management became fully market compliant"²¹⁶ Thus, it can be argued that, particularly the re-emergence of finance capital's central role in global capitalism which can be considered as the basic component of neoliberal globalization, was the outcome of concrete events and deliberate policy choices initiated by nation states rather than being the simple and natural consequence of 'modernity'.²¹⁷ Hence, in contrast to the arguments advocated by third way thinking, the so-called 'roll back' of nation state that is supposedly experienced during the globalization process appears to be the consequence of deliberate policy choices made by 'political agencies' including the 'nation state' itself. As Kiely argues; "The globalization of social interaction, including international trade and production relies strictly on enforceable rules that are implemented by states."²¹⁸

²¹⁶ **Munck, R** "Neoliberalism and Politics, and the Politics of Neoliberalism" in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston**, p.62

²¹⁷ **Kiely, R**, 2005, p.85

²¹⁸ **Kiely, R**, 2005, p.23

In addition to that, as it is mentioned above, third way's attempt of identifying the globalization process with the 'nation state's' weakening against the 'market' first and foremost relies to the liberal/realist analysis of social totality which conceives state and market as two opposed forms of social organization rather than being two institutional forms of one organic whole²¹⁹ By deliniating the globalization process in terms of the 'extension of market' and 'retreatment of state' and meanwhile by presenting that transformation as an unchallengeable and irreversible 'fact of life' engendered by globalization, third way thinking exploits the opportunity to vindicate its unpopular policy implementations.

Nonetheless, alternatively, from the perspective of historical materialism, instead of being two separate and even antagonistic compartments of social organization, 'state' and 'market' should be conceived as two parts of an organic whole whose apparent separation lies in the unique historical emergence of capitalist social formation. In this respect, although it is conceded that they have taken over different functions within the unique structure of capitalist formation, their relation is understood as internal and necessary. As Burnham clarifies; "Marx's approach places the antagonistic class relation at the centre of analysis, and starts from the premise that the relationship between the states and markets is internal and necessary (although of course the institutional form of this relationship varies given the historical character of class struggle.)"²²⁰ Therefore, it can be argued that rather than being ahistorical and structural, the apparent separation of 'state' and 'market' is in fact a historical specificity of capitalist social formation whose precise form have been dependent upon the existing character of the class struggle. And, indeed, this diffusion of power within the capitalist 'mode of production' managed through the 'division of labour' between state and market can be considered as one of the most important functional elements of capitalist hegemony. Because, by detaching 'market' from 'state', and accordingly by disembedding the 'economy' from its specific social determinants, the class character of the existing 'mode of

²¹⁹ **Burnham, P** "Globalisation, Depoliticization and Modern Economic Management" in W. Bonefeld and K. Psychopedis ed. *The Politics of Change: Globalisation, Ideology and Critique*, 2000, Palgrave, p.15

²²⁰ **Burnham, P** "Globalisation, Depoliticization and Modern Economic Management" in W. Bonefeld and K. Psychopedis ed. *The Politics of Change: Globalisation, Ideology and Critique*, 2000, Palgrave, p.17

production' can successfully be hidden in a way that manages to 'naturalize' and 'universalize' the historically specific social relations. In this way, bourgeois political economy manages to preserve the 'essentials' of existing power relations by abstracting them from any sort of political intervention. Many relations and settings of capitalist social formation which are in fact peculiar to capitalist mode of production have started to be seen as 'untouchable' and 'ahistoric' 'facts of life', insofar as they are located within the 'economy' which is supposedly occurs outside the realm of politics. By disguising the political face of what is called 'economy', the historically specific settings of capitalist society such as private property or the extraction of surplus from the worker are become 'unchallengeable' in the sense that they are considered as belong not to the sphere of 'political', but 'economy'. As Wood stresses; "Bourgeois political economy achieves its ideological purpose by dealing with *society in the abstract*, treating production as 'encased in eternal natural laws independent of history, at which opportunity *bourgeois* relations are then quietly smuggled in as the inviolable natural laws on which society in the abstract is founded."²²¹

In this respect, in the light of the above arguments which emphasises the active role played by nation states in the formation of global political economy together with the internal character of state-market relation, rather than being an unintentional process that automatically led to the nation state's retreatment against the market, globalization process can be understood in terms of an intentional recomposition of the 'division of labour' that occurs between the two institutional forms of one organic whole; the capitalist social formation. In other words, what is happening throughout the globalization process is not the 'roll back' of the state *vis-a-vis* 'market', but instead, it is the deliberate redefinition of the roles played by the two which is ended up with the further separation of 'economy' from 'politics'. As it already mentioned, from the very beginning of capitalist social formation "a very wide range of social functions- not only the organization of production, but the distribution of resources, the disposition of labour and the organization of time itself- is removed from political or communal control, and placed in the economic sphere, either under the direct control of capital or subject to the impersonal 'laws' of the

²²¹ Wood, E.M, 1995, p.22

market.”²²² And in fact, globalization process seems to widen that range of social functions that are belong to the economic sphere, thus, extends the scope of ‘market-impositions’ while narrowing down the sphere of ‘political’.

This recomposition of division of labour between state and market which is naturalized and justified through the ‘language of globalization’, can be considered as one of the most important components of neoliberal hegemony. As it is mentioned in the first chapter of this thesis, neoliberal hegemonic project first and foremost can be characterized with its aim of redrawing the boundaries supposedly exist between the ‘economy’ and ‘politics’ in a way that will extend the ‘untouchables’ of capitalism. Because, in contrast to the political sphere that is accessible for all social classes through democratic control albeit to different degrees, the sphere of economy exists beyond any political intervention. Considering the fact that, “in capitalism that ‘the market’ has a force of its own, which imposes on everyone, capitalist as well as workers, certain impersonal systemic requirements of competition and profit maximization.”²²³

By the further separation of economy from politics, or in other words, by the further depoliticization of economy realized through the transnational mobility of capital, the supposedly ‘natural’ and therefore ‘untouchable’ components of capitalist system As it is discussed in the second chapter, in Poulantzasian sense, the separation of ‘state’ and ‘civil society’ and accordingly of ‘economy’ and ‘politics’ which can be characterized as the peculiar historical specificity of capitalism has always ‘served’ to the construction of ‘hegemony’. Through this separation, wide range of constitutive elements of capitalist mode of production-which are in reality nothing more than a historical specificity of capitalism- at the phenomenal level, are universalized as ‘eternal’ and ‘untouchable’ facts of life. As Wood puts it; “A very wide range of social functions-not only the organisation of production, but the distribution of resources, the disposition of labour and the organisation of time itself-is removed from political and communal control, and placed in the economic sphere,

²²² **Wood, E.M** “Globalisation and the State: Where is the Power of Capital?”, in *Anti-Capitalism: A Marxist Introduction* ed. A. Saad- Filho, 2003, London and Sterling, Virginia, Pluto Press, p.128

²²³ **Wood, E.M** “Globalisation and the State: Where is the Power of Capital?”, in *Anti-Capitalism: A Marxist Introduction* ed. A. Saad- Filho, 2003, London and Sterling, Virginia, Pluto Press, p.128

either under the direct control of capital or subject to the impersonal ‘laws’ of market.”²²⁴ And, thus in the globalization era in which the unhindered mobility of capital is taken for granted as the newly emerging ‘fact’ of life-stemmed from the allegedly ‘irreversible’, ‘inevitable’, ‘impersonal’ and ‘politically impartial’ technological developments that have led to the compression of ‘time and space’- this *division of labour* between the economic and the political to its utmost limit.²²⁵ That is to say, through the increasing depoliticization of economic matters justified by the language of globalization, today, even more functions and elements of capitalism are escaping from the democratic and communal control.

Therefore, by universalizing its ‘hegemonic idea’ of the greater separation of ‘political’ and ‘economic’ through the ‘language of globalization’, neoliberalism attains the opportunity to implement and justify its respective political economy consists of elements ranging from ‘monetarism’ to ‘downward pressure on wages’ . As Kiely argues; “Policies that promote labour-market flexibility and structural adjustment are thus justified on the basis that there is no alternative in the era of global competitiveness.”²²⁶ When they are presented as necessities of globalization, their ideological and class-oriented character is successfully hidden. Thus, it can be argued that, just like Poulantzas envisaged for the moment of ‘hegemony’, wide range of policies which are in reality correspond to the political interest of dominant classes, at the phenomenal level are justified and universalized through the language of globalization as the best interest of the ‘nation’. Many policies of neoliberal political economy which otherwise might possibly engender popular unrest are justified in the sense that they constitute the only viable alternative in the age of global competition. For the sake of ‘nation’s’ competitiveness in the global economy, ‘sacrifice’ is expected from the dominated classes. In this sense, the particular ‘language of globalization’ which is in fact internalized by the New Labour thinking, become a vigorous ideological instrument that justifies neoliberal hegemony. When the so-called ‘globalization’ which is conceptualized first and foremost with the

²²⁴ **Wood, E.M** “Globalisation and the State: Where is the Power of Capital?”, in *Anti-Capitalism: A Marxist Introduction* ed. A. Saad- Filho, 2003, London and Sterling, Virginia, Pluto Press, p.128

²²⁵ **Wood, E.M** “Globalisation and the State: Where is the Power of Capital?”, in *Anti-Capitalism: A Marxist Introduction* ed. A. Saad- Filho, 2003, London and Sterling, Virginia, Pluto Press, p.138

²²⁶ **Kiely, R**, 2005, p.86

global mobility of capital is recognized as a purely ‘non-political’ and ‘irreversible’ ‘fact’, thus taken for granted as such, many elements of neoliberal political economy become unchallengeable.²²⁷

In this respect, it becomes obvious that by adopting the specific language of globalization which justifies the further depoliticization of economic matters, New Labour seems to perpetuate the neoliberal hegemony. One striking example of this depoliticization of economic matters is the depoliticization of monetary policy expressed in the independence of ‘Bank of England’. As Kiely argues; “Depoliticisation is also a state strategy, a political and ideological project that attempts to place ‘at one remove the political character of decision making’, in order to change expectations ‘regarding the effectiveness and credibility in policy making’. In practice, then, political tasks are handed over to supposedly neutral decision-making bodies, such as the Bank of England, or international institutions and agreements such as the Exchange Rate Mechanism or the WTO, whose rules are binding on elected governments.”²²⁸ In this respect, it can be argued that by technocratizing the ‘monetary policy’ through the central bank independence, New Labour government has located one more ‘economic matter’ at the outside of the realm of politics. Democratic control over the targets and priorities of monetary policy is now significantly eroded. Thus neoliberal political economies’ particular prescription, with regard to the monetary policy- the so-called ‘monetarism’- which prioritizes the inflation targeting no matter what, is now ensured insofar the Central Bank might abide to the allegedly objective ‘rules’, without being subject to any sort of ‘democratic’ or ‘popular’ control. Since nation state is deliniated as ‘powerless’ against the so-called ‘necessities’ of ‘global political economy’- which is in fact to a large extent defined by neoliberalism- it appearently have no option but further accomodate to the rules of ‘global political economy’ which in the case of monetary policy seems to correspond to the ‘monetarist’ prescriptions.

In sum, it can be argued that the particular language of globalization adopted by New Labour thinking, seems to be particularly functional in the *universalization*

²²⁷ Kiely, R, 2005, pp.82-87

²²⁸ Kiely, R, 2005, p.87

of the hegemonic idea of neoliberalism, which in fact, by definition corresponds to the general political interest of dominant classes.

3.2 NEW LABOUR IN POWER

3.2.1 Economic Policy: Supply-Side Strategy

As it is elaborated in the first chapter, neoliberal hegemony's approach regarding with economy policy can be characterized with its prominent adherence to supply-side strategy. In fact, it can be argued that the most evident repercussion of neoliberal hegemony to the sphere of economy has been without doubt the radical shift from demand-side strategy to the supply-side vision. From mid-1970's onwards, in accordance with the world-wide resettlement of global political economy that has been guided by the hegemonic paradigm of neoliberalism, supply-side economics based on the premises of neoclassical school appears to substitute demand-side economics traditionally affiliated with Keynesian paradigm.

Supply-side strategy developed mainly with reference to the premises of neoclassical approach first and foremost rests on the idea that 'market', if it is not hindered by any political intervention, can function as the most efficient mechanism of resource allocation. That is to say, supply-side strategy as it is elaborated in the first chapter, arises from a certain trust in the economic efficiency of free markets. Accordingly, private initiative that might automatically disciplined by the internal mechanisms and rules of the market is considered as the primary engine of wealth creation and prosperity. In this sense, it is assumed that individuals who are allowed to act freely as economic actors encouraged by the profit motive and entrepreneurial spirit inherent to them are capable of enhancing the economy to prosper.²²⁹

Therefore, since private initiative that is expected to be displayed within the free market mechanism is recognized as the best instrument of wealth creation and resource allocation, enabling private agents to maximize their efficiency and productivity should be the center and primary concern of economy strategy. Thus,

²²⁹ Thompson, G, 1990, pp.60-64

macro-economic strategy should first and foremost be aimed at the stimulation of private incentives. In this sense, with regard to economy, it is argued that governments should give up their ambitions for direct intervention, and adopt strategies that will help in the release of the beneficial aspects of the market.²³⁰ That is to say, all economic instruments ranging from monetary policy to fiscal policy should be geared towards the provision of best conditions for private enterprises to increase their productivity and also profitability. Broadly speaking, in the light of the fact that since for supply-side strategy better productivity and profitability for private enterprises are assumed to bring maximization of economic benefits for the whole society, then it can be argued that without being concerned about the fair distribution of resources, best way to manage economy is “leaving more money in the hands of corporations with a trickle-down effect that will benefit middle class and society as a whole.”²³¹

At this point it should be noted that as Thompson asserts; “The supply side involves the supply of appropriate ‘real’ factor inputs to the economic process and their organisation.”²³² Thus, the main priority for an economy guided by supply side strategy should be the effective appropriation and utilization of all factors. Indeed, an effective organization of factor inputs coupled with a complementing monetary policy would be the key for the stimulation of private entrepreneurial initiatives and accordingly of economic prosperity. In fact, supply side strategy mainly refers to an economy framework in which all variables directly or indirectly related with economy are oriented and organized by bearing the priority of the private incentives in mind. In the supply-side strategy, further stimulation of private incentives that is thought to be conditional upon the efficiency and productivity of corporations is always considered as the ultimate goal of policy choices in wide range of areas. In this respect, from the perspective suggested by supply side strategy “the combination of low taxes, lower public spending, private enterprise, weak trade unions, free

²³⁰ **Thompson, G**, 1990, p.62

²³¹ **Trusick, R.A**, 2004, p.30

²³² **Thompson, G**, 1990, p.46

markets and a stable macro-economic framework would generate employment, wealth and prosperity.”²³³

In the case of Great Britain, triumph of Thatcherism started in 1979 and lasted for almost two decades had also represented the dominance of supply side strategy over the demand-side which had in fact marked the era of post-war Keynesianism. Under the leadership of Margaret Thatcher, during the 1979 election campaign Conservative Party had came up with a radical policy agenda that was mainly arised from a sheer criticism of post-war keynesian economy guided by demand-side macro economic strategy. For Thatcherites, virtual collapse of British economy experienced during the 1970’s was an inevitable consequence of demand-side strategy persistently pursued by Labour governments. Therefore, healing of economic ills was conditional upon the radical transformation of economic strategy; a transformation that might be characterized with a shift from demand-side approach to the supply-side approach. That is to say, underlying logic that guides economic prescriptions should be renewed radically.

In this regard, under the control of Thatcherite New Right, Great Britain’s macro economic policy had taken a decidedly right turn during 1980s. As Thompson puts it; “Supply-side tax cuts, with a resort to monetary policy as the main regulatory instrument, came strongly on to the political agenda. Fiscal policy was restrained as public sector expenditure came under pressure and a policy of deregulation and privatisation was initiated.”²³⁴ By relying heavily on the premises derived from neoclassical economics, New Right had transformed the road map of British economy in an arguably revolutionary way. Social democratic political economy and demand-side Keynesian prescriptions that had coupled them were unhesitantly denounced and reversed by New Right.

Accordingly, as a matter of fact, government’s role in the economy was also redefined. Thatcherites who are strictly committed with the absolute trust in the efficiency and superiority of market mechanism unsurprisingly envisioned a new economic strategy that can be characterized with the ultimate supremacy of market as the main mechanism of resource allocation. For them, demand-side

²³³ **Driver, S and Martell, L**, 2006 p.60

²³⁴ **Thompson, G**, 1990, p.44

Keynesianism's characteristic tendency of resorting to the government in the management of economic affairs had clearly damaged competitiveness of British economy during the post-war period by undermining market mechanism through direct interventions. In fact, for Thatcherite New Right, excessive government intervention that had resulted in serious underpowerment of private enterprise was structurally destined to be inefficient, therefore conceivably weakened and decayed macro-economic conditions of British economy. In this sense, Thatcherites had strongly asserted that economic strategy of Britain should be redesigned in a way that will prioritize the empowerment of private enterprise and dynamism of market economy.

In this new supply side vision suggested by New Right, "market" is recognized as the only valid and efficient mechanism of resource allocation and accordingly private enterprise is assumed as the primary engine of wealth creation. That is to say, in accordance with the supply-side logic summarized above, New Right had decided to orient all economic instruments to the stimulation of private incentives. In this scenario, rather than pursuing the attainment of full-employment level through the active stimulation of demand, government should function to assure unhindered operation of market mechanism. Economic strategy ranging from monetary policy to the fiscal and industrial policy should be aimed at maximum productivity and efficiency of private corporation which are in fact considered as the vital engines of growth and prosperity. Government, on the other hand, should set itself back and let the markets do the job.

In sum, it can be argued that in accordance with the liberal premises that advocate 'minimal state' and undisrupted operation of markets, British Economy in the era of Thatcherism had to a large extent been marked by the efforts to establish 'free market' economy in which governments' function would be limited with being a night watchman. Therefore, as in line with that aim, throughout the period they had stayed in power, New Right had implemented supply-side policy prescriptions oriented towards the creation of proper conditions for private investment. Hence, unsurprisingly inflation targeting conducted under the guidance of monetarist principles, tax-cuts aimed at the stimulation of private incentives and managerial

offensive in the workplace had been the prominent characteristics of Thatcherite political economy.²³⁵

As it is discussed above, one of the most evident and radical paradigm shifts initiated by neoliberal hegemony has been the adoption of supply-side economics. Prior to the neoliberal turn, British economy had been governed in line with the Keynesian demand side principles and in fact Labour Party was the most enthusiastic and determined pursuer of that model. A certain trust in the efficiency of government controlled Keynesian demand-side model had for a remarkably long time been the defining feature of social democratic politics. According to that model developed mainly with reference to the ideas of influential economist John Maynard Keynes, the main problem that resulted in periodic crisis of capitalist economy is underconsumption. In contrast to the assumptions of neoclassical orthodoxy rest on the Say's Law, Keynes argued "that aggregate demand systematically falls short of aggregate supply in capitalist economies. For Keynes, the systematic deficiency of aggregate demand means that free markets fail to clear, thus producing mass employment".²³⁶ Therefore, construction of a sound economy that might be less crisis-prone is conditional upon the continuous stimulation of aggregate demand level in the economy. And that sort of stimulation can be best provided by the government's direct intervention to the economy. In this sense, for social democratic political economy based on the demand-side model of Keynesianism, as Bevir asserts; "government intervention through fiscal policy and public spending could stimulate demand and thereby create jobs and generate economic growth."²³⁷ According to this view, capitalist economy can operate efficiently only if public and private activities will mixed properly to generate economic growth. In other words, since invisible hand of the market did not work as efficient as economic orthodoxy argued, then active participation of the government in the economy is an inevitable necessity. In short, from the perspective of Keynesian economics, in order to address deficiency of demand which is considered as the structural weakness of capitalist

²³⁵ **Driver, S** and **Martell, L**, 2006, pp.59-60

²³⁶ **Lapavistas, C** "Mainstream Economics in the Neoliberal Era" in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston** p.32

²³⁷ **Bevir, M**, 2005, p.107

economy, governments should always endeavour to increase aggregate demand level by using various economic instruments.

Hence, Keynesian economic model which departs from the technical assumptions summarized above had been considerably influential during the Post-war consensus period. And unsurprisingly, Old Labour which can traditionally be characterized with its extremely cautious attitude towards the efficiency of so-called free market economy enthusiastically embraced Keynesian demand-side economics as the guide of its political economy agenda. Because apart from the technical arguments about the structural operation of capitalist economy, Keynesian demand-side model was believed to be capable of providing necessary tools to mediate unfairness of capitalist economy. The traditional ultimate goal of social democratic political economy which had for a long time been the evolution and mediation of capitalist economy in favour of working class was seemed to be achievable through demand management. In fact, mixed economy suggested by Keynes was thought to be the necessary element that will enable Labour to deliver its social goals.²³⁸

In contrast to the 'supply side model' which implicitly justifies low wages, tax-cuts and managerial offensive insofar as they are necessary for the stimulation of private incentives embodied in private corporations, demand side model, on the other hand, accounts for the technical legitimacy of wide range of social democratic policies including relatively high wages for working people, increased government spending and strong trade unions in the sense that they are beneficial for the preservation of high levels of consumption. Hence, particularly during the Post-war period Old Labour had believed that through the management of demand, "The market could be tamed; capitalism could be made more socialist. Government could in the name of social justice, do something about the distribution of rewards and opportunities in a capitalist market society."²³⁹ Social justice and greater equality which are recognized as the primary concerns of social democracy can be gradually achieved through the Keynesian economic logic.

Thus, it can be argued that social democratic political economy vision pursued by Old Labour during the post-war period can be identified with a sheer commitment

²³⁸ **Driver, S and Martell, L**, 2006, p.57

²³⁹ **Driver, S and Martell, L**, 2006, p.56

to the demand-side Keynesian principles. Nonetheless, it should be underscored that for Old Labour implementation of demand-side economic strategy was not a mere technical choice regarding the management of economy, but instead it had been an influential instrument for the realization of political aims of democratic socialism. Through the instruments such as strong welfare state and high-real wages for the working population which are technically justified by Keynesian logic, Old Labour had aimed to deliver greater equality and social justice.

As it is repeatedly emphasised throughout this chapter, main purpose of so-called ‘modernization’ of Labour Party was mainly to get in line with the necessities of new times. For Blairites, in the ‘new times’, it is now beyond doubt that in accordance with the unprecedented change engendered by globalization, Keynesian demand side policies have lost their validity. In an economic environment that can be characterized with “instantaneous mobility of capital across national frontiers and the emergence of global networks of production and competition, both facilitated by developments in information technology”²⁴⁰, it is no longer possible for national governments to pursue Keynesian economic policies as independent from the global economic realities. In fact New Labour is convinced about the fact that;

the increased mobility of capital and the rise of new technologies have undermined not just the hierarchic welfare state but nationalization, planning and Keynesianism: because capital is increasingly mobile, and because demand increasingly depends on factors beyond a state’s borders, governments can no longer manage demand; instead, they must ensure that the economy is attractive to international investors.²⁴¹

Therefore “states have to ensure that a stable macro-economic environment if they are to avoid excruciating punishment from financial markets”.²⁴²

Hence, by relying on the arguments about the inapplicability of Keynesian policies in the new times and by learning from the unpleasant stagflation experience of Old Labour which had damaged Party’s reputation in the eyes of the public, New Labour concedes that exponents of neoliberalism including New Right was in fact right to argue that the supply-side strategy is the only accurate and favourable road map to follow in the economy. Indeed, similar to Thatcherite New Right, for New

²⁴⁰ Romano, F, 2006, p.8

²⁴¹ Bevir, M, 2005, p.106

²⁴² Bevir, M, 2005, p.109

Labour; “stability, long-term prudence, and a dynamic supply side are key building blocks for prosperity”.²⁴³ Thus, in contrast to the traditional approach of social democratic political economy, New Labour decided to focus on supply side of the economy and to determine its policy priorities and objectives accordingly.

That is to say, with regard to the management of economy New Labour has internalized the main paradigm shift institutionalized by neoliberal hegemony. In contrast to the Old Labour who had embraced social democratic political economy that locates government intervention and distributional justice at the top of its policy agenda, ‘modernized’ social democracy model formed by Blairites concedes that the private enterprise, as neoliberals argue, should be recognized as the main engine of economy. Therefore, New Labour government who is determined to gain confidence of business as one of his first tasks ahead, from their very first day in the office clearly declared that all economic instruments would be organized in a way that will promote the competitiveness and efficiency of private enterprises. In this respect, supporting the competitiveness of British economy was recognized as the first priority of Labour government no matter what its repercussions for the social justice will be. With this radical shift experienced in the political economy approach of the Party, the traditional class-based political priorities of the Labour politics such as greater equality and social justice have been degraded to the secondary position. Competitiveness, efficiency and dynamism of market economy which are reinforced by neoliberal hegemony as the indispensable route to the success in the global economy have recognized as the ultimate priority of the economy policy. By the same token, social democratic concerns like greater equality and distributional justice might only be pursued to the extent that they do not impair efficiency of free markets. In other words, if an effort that is necessary for the promotion of social justice poses a threat to the unhindered operation of free market or to the efficiency of private enterprises then it will no longer be considered as justifiable by Labour governments.

In contrast to the Old Labour who recognizes ‘market’ as viable only to the extent that it will not impair social justice, New Labour tends to recognize

²⁴³ Bevir, M, 2005, p.108

redistributional policies acceptable only to the extent that they do not harm supply-side of the economy.

In this respect, New Labour has defined its economic policy agenda first and foremost with its sentiment towards economic stability. Gordon Brown who was a prominent figure of the Blairites at the time of New Labour's inauguration at 1997, underscored that sentiment by declaring that their primary aim regarding the economy is to provide an economic atmosphere in which "No more boom and bust"²⁴⁴ occurs. And conceivably, in order to achieve this primary goal, it is declared that supply-side prescriptions which have already been implemented as the only viable alternative of economic policy by neoliberal New Right would be followed also by New Labour government.

However, despite its convergence with the basic assumptions of neoliberal political economy, New Labour's view with regard to the governments' role in the economy is somewhat different from the Thatcherite model. As it is elaborated above, even at the expense of retreating from Party's traditional firm commitment to the social justice, New Labour government has embraced supply-side vision as the only reliable blueprint. That is to say, Old Labour's characteristic ambition of demand side government intervention aimed at the promotion of social justice is clearly abandoned by New Labour. However, for Blairites, giving up interventionist demand-side policies and envisioning a passive government as New Right did, are two different things which are by no means inseparable. For New Labour, in contrast to the New Right, government's active support to the supply-side economy is not only possible but also desirable and necessary. Because for Blairites; "The new economy requires a transformation of the supply-side of the economy. New Labour insists that the state can play an active role in promoting this transformation."²⁴⁵ Therefore, in this sense, in order to become competitive in today's global economy, state can and also must do more than just setting itself back from economic affairs.

In this respect, New Labour has envisaged a new role for the government. Government, in its Blairite version is now held responsible with the active promotion of business atmosphere. By setting up the proper conditions to the private enterprise

²⁴⁴ **Driver, S** and **Martell, L**, 2006, p.67

²⁴⁵ **Bevir, M**, 2005, p.110

and by helping them to improve their operational capacity, New Labour believes that government can contribute to the competitiveness of British economy. And particularly in 'new times' defined with 'new economics' that can be characterized with the significance of 'knowledge' and 'information', this contribution might go well beyond the narrow framework suggested by Thatcherites. In fact, according to New Labour thinking, with its unique institutional capacity, state can provide a commodity which appears to be remarkably valuable in today's global economy: brain power.²⁴⁶ In contrast to the Old Labour which recognizes government as an active agent capable of manipulating the economy in favour of working class, for New Labour, after securing the stable macro-economic framework, "The job of governments is to promote the skills and technologies required by business to compete in the knowledge economy. The education and skills of people matter because business need well-educated workers: and workers need to be well educated to cope with the changing demands of the labour market and technological change."²⁴⁷ For New Labour, a good government is the one which intervenes in the supply side, in Blair's own words to "promote long-term investment, ensure that business has well-educated people to recruit into the workforce, and ensure a properly functioning first-class infrastructure."²⁴⁸

In sum, in the light of above arguments, it is clear that with regard to economy New Labour has internalized the main idea suggested by neoliberal hegemony. Both New Labour thinking and the hegemonic idea of neoliberalism share the common view that the private enterprise which is far superior than the public sector thanks to its inherent dynamism and efficiency should be the main engine of the economic development and wealth creation. Therefore, all economic instrument should be managed and oriented in a way that prioritizes the needs and interests of private enterprises over all other objectives. In this sense, New Labour also seems to reinforce the hegemonic idea of neoliberalism which rests on the assumption that what is best for the interests of private enterprise should be recognized as best for the whole society. Because it is assumed that the wealth and growth created by those

²⁴⁶ **Driver, S** and **Martell, L**, 2006, p.68

²⁴⁷ **Driver, S** and **Martell, L**, 2006, p.68

²⁴⁸ **Blair, T** "New Britain", p.110

public enterprises would somehow eventually ‘trickle-down’ to the other segments of society. Departing from these assumptions inscribed by neoliberal hegemony, ironically particular class interest of bourgeoisie appears to be the new priority of Labour politics. Under the influence of neoliberal pretences which identify the best interest of the society with the best interest of private corporations operating in the free market, New Labour is now seemed to be convinced that primary concern of the political economy agenda should be the efficiency and competitiveness of private enterprises.

Thus, at the end of the day, New Labour’s economic vision can be identified with the perpetuation of neoliberalism’s hegemonic idea named market-oriented society which gives priority to the rules of the market and interests of the private enterprises. In fact, the particular economic agenda of neoliberalism inherited from Thatcherite legacy has been formalized and further codified by Labour government.²⁴⁹ However, in contrast to the New Right’s particular approach that imagines a passive state, New Labour envisions that the government might have an active role in the efficient operation of the supply-side economics. That is to say, New Labour believes that ultimate objectives and aims determined by neoliberal hegemony and internalized by Blairites can be best achieved through a market economy which combines virtues of ‘free markets’ with the active support of government. Hence, the economic message that has marked the Blairite third way vision can be summarized as “a combination of macro-economic stability, investment in human capital, welfare reform and a dynamic model of entrepreneurialism and labour market flexibility would create the conditions for growth, employment and resources to pay for public welfare.”²⁵⁰

Besides, as it is implied in the central idea of New Labour thinking: the so-called ‘inclusive society’, government’s efforts aimed at the undistorted operation of free market economy guided by supply side principles might also be uniquely valuable for the creation of consent to the new political economy vision established by neoliberal hegemony. In fact, New Labour’s attempt of combatting against poverty without having any redistributional concerns seems to become a key to

²⁴⁹ Driver, S and Martell, L, 2006, p.60

²⁵⁰ Driver, S and Martell, L, 2006, p.67

resolve neoliberalism's problem of public legitimacy. Suggestion of the inclusive society model which functions to moderate neoliberal hegemonic vision without touching its essentials, unsurprisingly, appears to be extremely useful for the further justification and consolidation of neoliberal hegemonic vision. Hence, as Arestis and Sawyer put it; the third way can be viewed as "neoliberalism with a human face."²⁵¹ It is 'neoliberal' in the sense that "it shares with neoliberalism the acceptance of the dominance of the market in the economic life and the extension of the market into all areas of human activity."²⁵² But it comes with a 'human face' insofar as it does acknowledge "a role for government in the correction of 'market failure'""²⁵³

In consequence, it can be argued that New Labour's particular policy choices and approaches regarding the instruments of economic policy have to a large extent been in line with the supply-side strategy they have adopted. From next section onwards, some of these policy approaches and their affiliations with the supply-side vision established by neoliberal hegemony and subsequently perpetuated by Blairites will be elucidated.

3.2.1.1 Monetary Policy: Surrender to Monetarism?

Unsurprisingly, supply side economic strategies' reflection to the monetary policy appears to be the necessity of the implementation of monetarist principles which are in fact can be identified with the strict control over money supply. From the perspective of neoclassical economics, monetarism and supply-side economics complement each other nicely. It is expected that while real aspects of the economy remain the province of supply-side economics, the monetary phenomenon and particularly inflation will be left to the "monetarist" applications.²⁵⁴

²⁵¹ **Arestis, P** and **Sawyer, M** "The Neoliberal Experience of the United Kingdom" in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston**, p.177

²⁵² **Arestis, P** and **Sawyer, M** "The Neoliberal Experience of the United Kingdom" in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston**, p.177

²⁵³ **Arestis, P** and **Sawyer, M** "The Neoliberal Experience of the United Kingdom" in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho** and **Deborah Johnston**, p.177

²⁵⁴ **Thompson, G**, 1990, p.47

Monetarism, as developed by the notable liberal economist Milton Friedman, is based on some particular premises about the structural nature of capitalist economy. For Friedman, the main point of departure was that the 'inflation' is stemmed from the increases occurred in the quantity of money and accordingly "inflation does not have any real determinants."²⁵⁵ In addition to that, monetarism resorts to the rigorous rejection of Keynesian premise that assumes a long term trade-off between inflation and unemployment level. Departing from the so-called 'rational expectations' hypothesis which begins with the assumption that "individuals will use all available information to form the optimal forecast for the aggregate price level."²⁵⁶ monetarism argues that any attempt to manipulate employment level through the constant stimulation of demand might be in vain, since the economic agents are likely to develop a 'rational expectation' about the increase that will occur in the general price level. In order to clarify, Thompson argues:

Suppose that the government continually increases the money supply in an attempt to stimulate the economy. Private agents will anticipate the increase in the general price level that this would engender (thus linking rational expectations to a basic monetarist position) so they will not misinterpret price increases as relative changes and increase output accordingly. The (supposed) trade-off between inflation and output/unemployment would thus disappear.²⁵⁷

Therefore, government's demand-side interventions that might occur in the form of demand stimulation through monetary and fiscal policy would engender nothing but an unnecessary disturbance for the natural rhythms of the private sector which is, in fact, extremely crucial for the supply side economic vision that sets the efficiency of the private enterprises as its top priority.

Hence, in this sense, supply side economic strategy which is mainly based on the idea of promotion of private sector through the utilization of all available economic instruments, conceivably necessitates a prudent monetary policy which is aimed at the strict control over monetary supply. In other words, according to the monetarist principles which seem to be well suited within the supply side economic vision, top priority of the monetary policy should be the preservation of a stable inflation level.

²⁵⁵ Thompson, G, 1990, p.46

²⁵⁶ Thompson, G, 1990, p.48

²⁵⁷ Thompson, G, 1990, p.48

In this respect, neoliberalism which can be characterized with its strict adherence to the private enterprise oriented supply side vision, unsurprisingly tends to prefer monetarist perspective with regard to the management of monetary policy. In fact, adherence to the monetarism as a complementary and required element of supply side economy can be considered as a strong signifier of any political perspective's affiliation with neoliberal hegemony. Because similar to the reinforcements of neoliberal hegemony, monetarism which can be identified with inflation targeting, by definition, attributes a priority to the interests of private sector.

And, in contrast to the Old Labour who had tended to prefer demand-side Keynesianism as its economic blueprint, and therefore determined its monetary policy accordingly, New Labour prefers to remain stick to the monetarist prescriptions first implemented by neoliberal New Right.

In this respect, from their very first day in the office, in order to gain credibility in their government from private sector and global markets, New Labour has located inflation targeting at the top of its economic policy agenda in general, and monetary policy framework in particular.²⁵⁸ Top Labour modernizers such as Peter Mandelson and Gordon Brown who are specifically involved with the economy policy unhesitantly conceded to the monetarist arguments about the inefficiency of demand management conducted through fiscal and monetary policies. While Mandelson was trying to justify their inflation targeting by stressing that “inflation leads to recession as night leads to day”²⁵⁹, meanwhile Gordon Brown was burying Keynesianism and social democratic political economy aimed at the full-employment and social justice by asserting that the “supposed long-term trade-off between inflation and unemployment will simply not work.”²⁶⁰

In the light of considerations summarized above, New Labour has implemented tight monetary policies as similar to the neoliberal New Right did. In fact, during the New Labour's first term in the office the monetary supply in Great

²⁵⁸ **Driver, S** and **Martell, L**, 2006, p.70

²⁵⁹ **Mandelson, P** and **Liddle, R** “The Blair Revolution: Can New Labour Deliver?”, 1996, p.74; G.Brown, Mansion House Speech, 11 June 1998

²⁶⁰ **Mandelson, P** and **Liddle, R** “The Blair Revolution: Can New Labour Deliver?”, 1996, p.74; G.Brown, Mansion House Speech, 11 June 1998

Britain was at its lowest rate since 1970.²⁶¹ That is to say, New Labour's adherence to the monetarist principles that consists in inflation targeting aimed at the stimulation of private investment is beyond doubt.

New Labour's particular choice regarding the primary aim of monetary policy can be considered as one strong evidence that accounts for the New Labour's convergence with neoliberalism's economy vision. By locating inflation targeting which is crucial for the competitiveness of private sector at the top of its policy agenda at the expense of classical social democratic political economy's primary aims of full-employment and distributional justice, New Labour once again perpetuates the hegemonic idea of neoliberalism. Although, Blairites try to justify their policy choice regarding the monetary policy by arguing that "inflation particularly harms those who depend on low or fixed incomes", therefore inflation targeting is conducted on the behalf of 'social justice', the underlying supply side logic that gives priority to the private sector was even evident in Gordon Brown's own words. For Brown, low inflation is important because it will simply "allow companies to make reasonable assumptions about future economic conditions and so to invest with greater confidence."²⁶²

3.2.2 New Labour and Public Service: From 'Government' to 'Governance' ?

As it is stressed in the second chapter, one of the defining characteristics of the hegemonic idea of neoliberalism has been the ultimate trust in the judgement of market. In other words, the particular 'set of values', or the 'concept of reality' that characterize the 'hegemonic idea' of neoliberalism have primarily been the values of 'market'. In this sense, conceivably during the hegemony of neoliberalism, wide range of areas which had been considered as irrelevant to the 'market' and 'market values' prior to the neoliberal turn, started to be gradually 'marketized'. The particular hegemonic language of 'market-oriented' society evident in the popular

²⁶¹ Romano, F, 2006, p.96

²⁶² Bevir, M "New Labour: A Critique", 2005, p.109; G.Brown, Mansion House Speech, 12 June 1997

notions such as ‘competitiveness’, ‘efficiency’ and ‘customer choice’ has been extended to the traditionally ‘non market’ spheres of society.

In this respect, remarkable paradigm shift realized in the language as well as in the approach to the ‘public service’ constitutes a striking example. In fact, it can be argued that during the era of ‘neoliberal hegemony’, in accordance with the hegemonic idea that can be characterized with the primacy of ‘market’, ‘public service’ has to a large extent been ‘marketized’.

In the case of Great Britain, the New Right government which can be considered as the initial representative of neoliberal hegemony, had setted out reversing the public service approach that had been dominant during the Post-war period as one of their primary tasks. For Thatcherite New Right whose political agenda is to a large extent defined by the ideas derived from classical liberalism, conservatism and also public choice theory²⁶³, “Markets, not the state, should determine the allocation of rewards and resources across the society. Individual freedom, not social justice should provide the political compass for policy-makers. The public sector should be replaced by private enterprise.”²⁶⁴ Accordingly, from the perspective of New Right, ‘public services’ should also be regulated under the guidance of market principles. Because with reference to the assumptions of ‘public choice theory’- which first and foremost bounded up with the presumption that those working in the public sector were motivated by self-interest²⁶⁵- “the market is perceived as dispensing benign virtue and discipline, while the political allocation of resources is perceived as dispensing ill discipline and ultimately oppression.”²⁶⁶ Thus, drawing on these particular assumptions, New Right government did not hesitate to suggest a new approach named ‘new public management’ with regard to the ‘public services’. By doing so, the traditionally dominant approach to public management in general, and public services in particular, which mainly rests on the traditional forms of government- bureaucratic, hierarchical- was displaced by a new approach named ‘governance’ which is strictly bounded up with the neoliberal

²⁶³ **Thompson, G**, 1990, pp.8-22

²⁶⁴ **Driver, S** and **Martell, L**, 2006, p.114

²⁶⁵ **Driver, S** and **Martell, L**, 2006,p.115

²⁶⁶ **Thompson, G**, 1990, p.13

conviction of ultimate trust in the ‘judgement of market’. Accordingly, the language of ‘market’ represented in the notions such as ‘consumerism’, ‘privatization’, ‘efficiency’ and ‘performance management’ has become dominant in the area of ‘public services’. To put it differently, it can be argued that during the New Right era, as in conformity with the ‘hegemonic idea’ of neoliberalism, the ‘judgement of market’ had extended to the traditionally ‘non-market’ area of ‘public service.’ Therefore, from this new perspective of public service management, ‘citizens’ who appear as the service recipients in the case of public services are started to be perceived as ‘consumers’. And, thus, as Driver and Martell puts it; “To make the public sector more accountable, and to prevent its inexorable growth, the Conservatives argued, the consumers of services had to be given freedom and choice.”²⁶⁷ That is to say, once again as in conformity with the hegemonic idea of neoliberalism, a strong sense of ‘consumerism’ that is by definition bounded up with an ‘individualistic ontology’²⁶⁸ is established as the dominant paradigm that guides the patterns of public services.

In contrast, prior to the initiation of ‘modernization’ that led to the emergence of New Labour, Labour’s approach towards ‘public service’ had traditionally been dominated by a strong sense of ‘public service ethic’, which is primarily aimed at the alteration of unfair outcomes of ‘market’ economy through the deliberate redistribution of rewards and resources.²⁶⁹ That is to say, in the traditional social democratic political economy, ‘public service’ is considered as one efficient mechanism that is capable of alleviating the ‘inequalities’ stemmed from the ‘market’. Through the government controlled, top-down provision of public services, social democratic political economy that had for a long-time marked the so-called ‘Old Labour’, had intended to alter the ‘outcomes’ of ‘market’, and thus tried to divert the resource allocation to a more ‘fair’ direction. In essence, in contrast to the New Right, it can be argued that Old Labour’s approach towards the provision of ‘public service’ had mainly grounded by a deep distrust in the resource allocation mechanism of ‘market’. For Old Labour, since the ‘judgement of market’ is

²⁶⁷ **Driver, S and Martell, L**, 2006, p.115

²⁶⁸ **Needham, C**, 2007, pp.35-36

²⁶⁹ **Driver, S and Martell, L**, 2006, p.113

inherently inclined to be 'unfair' thus capable of endangering the 'social justice', it should be 'mediated' by the governmental effort of redistribution. And, 'public service' when guided by the principles of 'public service ethic', provides an efficient mechanism to re-allocate resources and rewards in a more 'equal' and 'fair' way. Labor's social democrats had believed, as Driver and Martell argues; "Public services, delivered by public sector institutions, imbued with public service ethics, free from the acquisitive morals of the capitalist market, would bring about a change in the nature of society. Public services would alter the political economy of capitalism, making society more equal and socially just."²⁷⁰ In this respect, for Old Labour, provision of 'public services' which is primarily aimed at the alteration of market outcomes through redistribution, should strictly preserved out of the reach of private enterprise and the market, and thus should be financed by the 'tax revenues.'²⁷¹

With regard to the provision of public services, New Labour suggests an alternative approach which first and foremost departs from a sheer criticism of Old Labour's traditional social democratic approach which strictly considers 'public services' as one domain that should directly be governed by the 'government'. This criticism that subsequently shaped New Labour's approach to the issue is conceivably related with the New Labour thinking's general approach to the social phenomenon. In fact, they are convinced that in the 'post-traditional' society of 'late modernity', the top-down bureaucratic model of government is inevitably outdated.²⁷² Thus, should be substituted by a new model of 'governance' that is capable of addressing the needs of the 'reflexive' society. And since, "in a reflexive as well as an uncertain world, individuals want to take informed decisions and choices, not have them made for them by 'experts'""²⁷³, traditional social democratic approach of 'public services' should be abandoned in favour of a new approach that might prioritize 'individual choices'. By arguing so, New Labour thinking implicitly concedes to the neoliberal hegemony's 'individualistic ontology', thus implicitly

²⁷⁰ Driver, S and Martell, L, 2006, p.113

²⁷¹ Driver, S and Martell, L, 2006, p.113

²⁷² Driver, S and Martell, L, 2006, p.117

²⁷³ Driver, S and Martell, L, 2006, p.117

recognizes the 'inequalities' that might possibly stem from the qualities of individual choices as just.

With regard to the provision of public services, New Labour thinking adopts a pragmatic approach which is neither like strictly New Right's pro-market attitude, nor similar to the so-called Old Labour's state-centred universalism. For New Labour thinking, in the provision of public services what mainly matters is the 'targets' not the 'means' to achieve them. That is to say, in contrast to the traditional approach of social democratic political economy which totally excludes 'market' mechanism from the provision of public services- in the sense that they consider 'market' mechanism as inherently unfair- New Labour eagerly welcomes 'market' as well as 'private enterprise' in the provision of public services. As Driver and Martell argues; "Labour modernizers take a more neutral approach to the balance between the state and the market in social democratic governance. Decisions about the delivery of public services should be pragmatically taken on the basis of what worked and not what was ideologically correct."²⁷⁴ Thus, in this regard Blairites have unhesitantly welcomed New Right's preferred method of public service delivery; the so-called Private Finance Initiative (PFI) which mainly refers to a partnership between the public and private in the provision of public services. The PFI was firstly introduced by the New Right government as a mechanism that might open the domain of 'public services' to the dynamics of 'market' and of 'private enterprise'²⁷⁵. As Driver and Martell clarifies; "The initiative sees the private sector invest in public sector capital projects, such as new schools and hospitals; and then in effect the government rents the new facility from the private sector for a given period of time."²⁷⁶ However, right from the very beginning the so-called PFI has been harshly criticized particularly by the social democrats and condemned as "an element of the creeping privatization of public services"²⁷⁷ which might possibly "undermine the unity and universality of the public sector employees; lock public bodies into private sector suppliers; distort

²⁷⁴ Driver, S and Martell, L, 2006, p.119

²⁷⁵ Ruane, S, 2002, p.199

²⁷⁶ Driver, S and Martell, L, 2006, p.126

²⁷⁷ Driver, S and Martell, L, 2006, p.126

clinical priorities; divert resources away from front-line services.”²⁷⁸ In fact, when it was firstly introduced by New Right government as a new mechanism of public service provision, Labour Party was among the sheer critics, and unhesitantly defined PFI, as the ‘thin end of the wedge of privatisation’²⁷⁹

Nonetheless, as a part of their clear break away from the Party’s conventional ideological stance, Blairites have also reversed that view; and eagerly endorsed PFI as a ‘pragmatic’ method that “represents a burying of the ‘old battles’-public sector versus private sector, employee versus employer and state regulation versus the free market.”²⁸⁰

In this regard, their embracement of PFI signifies that as a part of their general positive attitude towards the dynamics of ‘market’ and ‘private enterprise’, New Labour governments-in contrast to the traditional approach of old-social democracy-have paved the way for the participation of ‘private enterprise’ in the ‘public services’. That is to say, traditional conviction of social democratic political economy which argues that the ‘market’ and ‘private enterprise’ would distort the unique character of public services and thus undermine its positive effects on the ‘social justice’ has been abandoned by New Labour.

In accordance with its so-called ‘pragmatic’ approach, New Labour when took the office in 1997, initially promised to ‘modernize’ the provision of public services in a way that will substitute the supposedly ideologically driven approaches of ‘New Right’ and ‘Old Labour’, with a new ‘third way’ that might prioritize the ‘quality’ of services. In this respect, it can be argued that one important component of New Labour’s public service ‘modernization’ agenda was the reinforcement of values of social justice which were thought to be abandoned by the pro-market approach held by New Right.²⁸¹ Nonetheless, what is meant by ‘modernization’ was by no means limited with the reinstatement of values of social justice. It was also including the incorporation of ‘market discipline’ to the provision of public service. In fact, in contrast to the post-war Labour governments, Blairites were to a large extent

²⁷⁸ **Driver, S and Martell, L**, 2006, p.126

²⁷⁹ **Ruane, S**, 2002, p.200

²⁸⁰ **Ruane, S**, 2002, p.201

²⁸¹ **Driver, S and Martell, L**, 2006, p.119

convinced with the Thatcherite argument of 'inefficient' government and thus willing to reform the public sector in a way that might make 'public sector' more 'dynamic' and 'efficient'. As Driver and Martell puts it; "Like the Conservatives before them, Labour believed that the public sector could learn lessons from the private sector. Business planning and performance management were necessary to deliver a public sector that was efficient, effective, and economic and which met the needs of users."²⁸²

Thus, by doing so, with regard to the management of public sector and accordingly provision of public services, New Labour perpetuated the neoliberal hegemony's particular language that is expressed in the notions such as 'efficiency', 'dynamism', 'competitiveness' and 'consumer choice'. That is to say, in accordance with the hegemonic idea of neoliberalism which can be identified as 'market-oriented society', 'public service' as an area formerly considered as irrelevant to the 'market' is now envisioned to operate under the guidance of 'market' principles.

In sum, New Labour's general approach towards public services can be considered as different from New Right's by virtue of their cautious attitude towards excessive marketization and also of their commitment to the values of social justice. Because in contrast to the New Right's approach which advocates the 'marketization' of public services in the sense that the markets, not the state, should determine the allocation of rewards and resources across society, New Labour profoundly emphasises the importance of the 'public service' for the social justice. Indeed, while New Right puts more emphasis on the 'individual responsibility' and at least ideologically advocates that the individuals should be held responsible for their own and their family's welfare²⁸³, New Labour still maintains classical social democratic position which recognizes publicly financed 'services' of welfare as necessary for the social justice.- not necessarily for redistributing the 'rewards' but for 'opportunities'- As Driver and Martell puts it; "Introducing choice and diversity challenges social democratic political economy where those choices are attached to property rights. But where choices remain attached to the public money, and those choices reflect needs not private resources, they do not."²⁸⁴ However, their criticism

²⁸² Driver, S and Martell, L, 2006, p.121

²⁸³ Driver, S and Martell, L, 2006, p.135

of and distinction from the New Right's approach do not deter them from perpetuating the 'hegemonic idea' of neoliberalism insofar they incorporate the 'individualistic' discourse of 'market' to the area of public services. Besides that, their positive attitude towards the 'market forces' which becomes self-evident in their approach towards the PFI also reveals their convergence with the neoliberal hegemony regarding the ultimate trust in the 'judgement of market'.

²⁸⁴ **Driver, S** and **Martell, L**, 2006, p.136

CHAPTER 4

CONCLUSION

Particularly from the 1980's onwards, a comprehensive political philosophy and economic policy agenda identified as 'neoliberalism' has gradually become hegemonic across the world. Right after the collapse of Keynesian compromise marked by the serious economic and political crisis of the late 1970's, neoliberal policy framework which can roughly be characterized with the combination of a 'liberal' economic philosophy -that is to a large extent derived from the 'neoclassical economics'- with a 'conservative' view of society and politics has started to be influential throughout the world. Despite the fact that the scope and precise content of the so-called 'market reforms' have been varied in different countries, it is possible to argue that almost no region have remained untouched by the growing political, ideological as well as economic influence of the neoliberal paradigm. In fact, neoliberalism has to a large extent managed to disrupt the conventional patterns of politics and economics in a way that gave rise to the resettlement of the dominant paradigm of political economy. It has not only created an environment for the implementation of its practical 'market-reforms', but also, at the same time managed to transform the dominant 'political culture' by establishing its particular 'discourse' as hegemonic.

In this respect, it should be noted that the neoliberalism often tends to present itself as a doctrine based on the allegedly inexorable truths of modern economics²⁸⁵.

²⁸⁵ Clarke, S "The Neoliberal Theory of Society" in *Neoliberalism: A Critical Reader* ed. Alfredo Saad-Filho and Deborah Johnston, p.50

Therefore, its radical economic as well as political reforms are justified on the basis of the supposed objectiveness of the ‘modern economics’. By disembedding the ‘economics’ from its social and political determinants, neoliberals try to ‘technocratize’ the management of economics, thus argue that the policy prescriptions of neoclassical political economy should be implemented insofar they represent the ‘objectively’ determined scientific truth. In this sense, as implied in the famous phrase of Thatcherism; ‘there is no alternative’; particularly during the serious crisis of Keynesianism, implementation of wide range of neoliberal reforms were justified by arguing that they represent the only viable alternative capable of putting economy back on track. Therefore, it is possible to claim that ‘neoliberalism’ has to a large extent been presented as a pragmatic and necessary policy response to the crisis of Keynesian economy. In fact, neoliberal blueprint which is guided by the allegedly objective and scientific assumptions of ‘modern economics’, has been considered as an antidote capable of addressing the problems which stemmed from the Keynesian economics’ misjudgements. Implicit assumption that underlied this particular view is without doubt the liberal conviction about the ‘disembeddedness’ of the sphere of ‘economics.’ That is to say, from the perspective of liberal thought which can first and foremost be characterized with the primacy of ‘market’, sphere of ‘economics’ is considered as as self-generative insular system that is exclusive to the ‘politics.’

However, from the alternative perspective suggested by ‘historical materialism’, separation of ‘economics’ from the ‘politics’ is considered as a historical specificity of capitalist social formation. Therefore, when assessed from this perspective, rather than being analysed as strictly fragmented, social phenomenon should be conceived as an organic totality whose specific form is determined historically. Accordingly, what is called ‘economics’ itself and also the paradigm shifts occurred with regard to the political economy should be understood within a historical context as related with the ‘social’ as well as ‘political’ determinants that are by definition internal to the existing ‘mode of production’. In this sense, any paradigm shift occurred in the political economy should be analysed by taking the ‘class practices’ that gave rise to that shift into account.

By departing from this perspective, it can be argued that the neoliberalism as well as its predecessor the so-called Keynesian compromise, should be interpreted as

‘hegemonic projects’ aiming to reinforce the political interests of dominant classes which are unified within the ‘power bloc’ under the aegis of ‘hegemonic fraction’. Thus, rather than being a pragmatic policy framework aiming to respond to the crisis of Keynesian economy, neoliberalism should in fact be understood as a class-based ‘hegemonic project’ that has managed to reconstruct the ‘historical bloc’ in a way that will articulate the interests of dominant classes. In other words, genesis of ‘neoliberalism’ as a hegemonic project, was first and foremost consequenced from the emerging failure of Keynesian compromise to articulate the political interests of dominant classes. As it is argued in the second chapter of this thesis, plunging profit rates of capital and also the increasing militancy of working class which had become evident particularly in the late 1970’s, were the obvious indicators of the emergence of the crisis of ‘hegemony.’ In fact, particularly during the late 1970’s, Keynesian compromise and its particular ‘historical bloc’ had proved to be inadequate to articulate the interests of dominant classes. Therefore, emergence of a new ‘hegemonic project’ that is capable of reinforcing those interests and thus resolving the crisis of hegemony had appeared to be necessary.

Thus, establishment of neoliberalism as the new ‘hegemony’ which has been realized through the active involvement of ‘state’ throughout the 1980’s, should be conceived within this context. In fact, a retrospective analysis of the last three decades that have been marked by the dominance of neoliberal paradigm also stands for this argument. By focusing on the last three decades, it can be argued that neoliberalism has managed to reinforce the economic-corporate as well as political interests of dominant classes. Particularly from 1980s onwards, in accordance with the expansion of neoliberal turn throughout the world, income distribution as well as the distribution of wealth and power have dramatically changed in a way that favours the wealthiest sections of society whose privileged position had relatively eroded during the last years of Keynesian compromise. As Dumenil and Levy puts it; “ it is (neoliberalism) fundamentally a new social order in which the power and income of the upper-fractions of the ruling classes- the wealthiest persons- was reestablished in the wake of a setback.”²⁸⁶

²⁸⁶ **Dumenil,G and Levy,D** “The Neoliberal (Counter-) Revolution” in *Neoliberalism: A Critical Reader* ed. **Alfredo Saad-Filho and Deborah Johnston** p.9

As it has been substantially elaborated in the second chapter, ‘hegemony’ mainly refers to a “ ‘moment’, in which the philosophy and practice of a society fuse or are in equilibrium; an order in which a certain way of life and thought is dominant, in which one concept of reality is diffused throughout society in all its institutional and private manifestations, informing with its spirit all taste, morality, customs, religious and political principles, and all social relations, particularly in their intellectual and moral connotation. An element of direction and control, not necessarily conscious, is implied.”²⁸⁷ Thus, it can be argued that, at the moment of hegemony one particular ‘concept of reality’ or in other words, particular ‘set of values’ that correspond to the interests of ‘power bloc’ would become ‘hegemonic’ in the society. Conceivably, neoliberalism, as a ‘hegemonic project’ has diffused and universalized particular ‘set of values’ in the form of a ‘hegemonic idea’ which is capable of articulating the interests of ‘power bloc’. That is to say, in accordance with the emergence of ‘neoliberal hegemony’, by definition, respective ‘set of values’ advocated by neoliberalism have become hegemonic in the every aspect of society. And, indeed, as a hegemonic project rather than being characterized with its somewhat pragmatic policy prescriptions, neoliberalism should first and foremost be defined in terms of its particular ‘concept of reality’ which have become pervasive in every aspect of society and which have also engendered a comprehensive transformation of the ‘common sense’.

Since ‘hegemony’ is by definition internal to the every aspect of social phenomenon, as a matter of fact, ‘hegemonic idea’ of neoliberalism which can be identified as the ‘market-oriented society’ includes wide range of ideological, political as well as economic components. Nevertheless, the idea of ‘market-oriented’ society, which, as it has been argued in the second chapter defines neoliberalism as a hegemonic project can first and foremost be characterized with the extension of the rules and principles of the ‘market’ to the different segments of social phenomenon. That is to say, ‘judgement of market’ rather than being considered as confined to the ‘economic’ affairs, might now be recognized as the ultimate measure and foundation of all social relations.

²⁸⁷ **Showstack Sassoon, A** “Hegemony, War of Position and Political Intervention” p.94

Another principle that characterizes the ideological aspect of neoliberal hegemony is without doubt its particular 'hegemonic discourse' expressed in the notions such as 'efficiency', 'competitiveness' and 'dynamism'. This hegemonic discourse that is strictly bounded up with an 'individualistic ontology' constitutes another major component of neoliberal hegemony. Therefore, by constituting the 'judgement of market' as the 'universal truth', and by universalizing a particularly 'individualistic' interpretation of social phenomenon, neoliberal hegemony manages to spread the values, rules and the 'ethic' of market to every aspect of society including the areas, which were prior to the neoliberal turn considered as inherently 'public' in character. In this respect, as related to the construction of respective 'historical bloc' of the neoliberal hegemony, 'state' which had in fact been characterized primarily with its 'public' character prior to the neoliberal turn, has arguably been 'marketized' throughout the neoliberal era. While the modern state had at least theoretically operated on behalf of the whole society, thus prioritizes the 'democratically' determined interests of the 'nation', 'neoliberal state' now prioritizes the so-called 'needs', 'necessities' and 'rules' of the market. That is to say, in the neoliberal age, 'nation states' and their authority are now to a large extent constrained by the allegedly 'scientific' and objective rationale of the market.

Accordingly, neoliberal hegemony also redraws the boundaries that are supposed to exist between the 'economics' and 'politics'. Since the 'judgement of market' together with its particular 'discourse' and 'ethics' is established as the hegemonic 'concept of reality', conceivably, by the same token, the sphere of economics- which is conceived by neoliberal political economy as a self-generating closed system that has got its own internal logic- has increasingly been depoliticized. That is to say, by drawing on the assumptions of liberal political economy, 'democratic' or 'communal' control over the management of 'economics' has been gradually curbed during the neoliberal era. In addition to the depoliticization of economic management, neoliberal hegemony has also put forward a new approach with respect to the practical economic policies. And that approach also seems closely related with the hegemonic idea of neoliberalism which can first and foremost be characterized with its ultimate trust in the judgement of market. Since market mechanism is recognized as the most efficient instrument by neoliberal hegemony to regulate both economic and social matters, when it comes to economics

neoliberalism's particular conviction about the favourability of what is called 'supply-side' prescriptions seems comprehensible. Supply-side approach which-in contrast to its predecessor; demand-side approach- relies on the market mechanism and private initiative in the creation of economic development and wealth seems well-suited with the basic assumptions of the hegemonic idea of neoliberalism. Thus, alongside with the depoliticization, supply-side logic that in fact subsumes wide range of policy elements started to dominate management of economies during the neoliberal era. That is to say, in addition to the ideological and political elements summarized above, neoliberal hegemony also manifests its hegemonic idea in the sphere of economics as the substitution of demand-side management with the supply-side approach.

In sum, it can be argued that throughout the last three decades or so, 'neoliberalism' has managed to establish its own 'set of values' and socio-economic model as the new hegemonic paradigm of our age, thus emerged as hegemonic insofar it dominates 'common sense' of the society.

In the case of Great Britain, the so-called neoliberal turn which eventually led to the emergence of neoliberalism as the 'hegemonic ideology' or 'dominant paradigm' was to a large extent realized by the New Right government. In fact, the era of Conservative government which was subsequently named as 'Thatcherism' can be characterized with its radical and 'revolutionary' policy framework that remarkably contested and formidably challenged the existing patterns of political economy in Great Britain. Even though to some extent being curbed by practical factors and existing institutional patterns, New Right government has arguably managed to transform and reconstruct 'common sense' as in line with the neoliberal project. In other words, during the era of Thatcherism, the idea of 'market-oriented society' which consists of wide range of ideological and practical elements, has been established as the new defining 'mindset' of Britain's political economy. Although their practice happened to be far less radical than their 'discourse', Thatcherism's theoretical assumptions with regard to the nature of social phenomenon are obviously in line with 'neoliberalism'. Therefore, it can be argued that the successive Conservative governments which have stayed in power almost twenty years, to a large extent managed to realize a paradigm shift in favour of 'market-oriented' society.

In a political atmosphere where Keynesian paradigm was proved to be irrelevant and neoliberal ideas seem to dominate the ideological forefront, unsurprisingly British Labour Party's ideological stance could not remain intact either. At the end of a gradual process of ideological mutation, Labour Party also redefined its ideological trajectory in accordance with the 'realities', 'needs', and 'requirements' of the so-called new times. In fact, under the leadership of Tony Blair who defines its political agenda first and foremost with novelty, Labour Party has also 'modernized' its long-lasting ideological mindset in a way that arguably comes to terms with the logic of 'market-oriented' society.

As elaborated throughout this thesis, New Labour's ideological accommodation to hegemonic idea of neoliberalism is evident in a wide range of areas. Firstly, when it comes to the way of understanding the nature of social totality New Labour seems to perpetuate the hegemonic idea of neoliberalism insofar it recognizes 'individual' as the basic unit of analysis. By clearly renouncing the Old Labour's approach which conceives society first and foremost in terms of the primordial contradiction between 'working class' and 'capitalist class', New Labour clearly takes its side with the alternative 'individualistic ontology' of liberalism. Accordingly, as in line with the liberal-individualistic interpretation of social totality, New Labour also perpetuates the hegemonic idea of market oriented society insofar it favours the 'entrepreneurial ideal' which regards 'individual initiative' and 'market mechanism' as the main source of wealth creation. Secondly, with regard to the 'state'- 'civil society' relationship, New Labour once again displays a significant commonality with the hegemonic idea of neoliberalism. Like neoliberalism theoretically suggests, New Labour also conceives 'civil society' as the domain of individual freedom. In this sense, rather than being the ultimate source of injustices whose inherent detrimental effects on the society should be corrected through political intervention, market mechanism and its internal judgement and morality are now viewed as ethically justifiable by New Labour. Thus, in contrast to the traditional social democracy which perceives 'state' and 'civil society' as intertwined spheres of an organic totality, New Labour, as in line with the neoliberal hegemony, now conceives them as two distinct spheres which interact with each other in a rather external way. Therefore, traditional 'social democratic' or 'democratic socialist' conviction about the desirability of 'state' intervention to the 'civil society' in order to alter its

inherent inequalities is clearly abandoned by New Labour. Because, since judgement of market appears to be 'just' and 'legitimate' for Blairites, then there is no need to alter its outcomes through political means. However, at this point it should be noted that even though their approach towards 'state'-civil society' relations is parallel with the hegemonic 'mindset' of neoliberalism in the sense that it relies to a certain trust in the judgement of market, New Labour's conceptualization of 'state' is not as negative as New Right's. As different from the neoliberal view embraced by New Right which limits government's function with the legal preservation of 'rule of law', New Labour persistently asserts that the state might also have a positive role in the proper functioning of civil society.

Thirdly, New Labour's approach regarding the two traditionally major values of 'progressive politics'; 'liberty' and 'equality' also seems closely related with their compromise with the hegemonic idea of neoliberalism. In this respect, it can be argued that in contrast to the 'positive liberty' notion long advocated by the so-called traditional social democracy, New Labour's approach towards liberty is also formed by their positive attitude towards the 'market' and its 'judgement mechanism'. To the extent that they are convinced with the fairness of 'market mechanism', Blairites seems to abandon one important aspect of 'positive liberty'; the sense of 'liberty from the impositions of market.' Thus, despite the fact that they manage to distance their approach from the New Right's 'negative liberty' by locating 'opportunity' at the centre of their perception, they still perpetuate the hegemonic idea of neoliberalism insofar they choose to overlook market impositions' detrimental effects on 'individual liberty'.

Regarding the issue of 'equality, New Labour's approach once again signifies their internalization of the hegemonic idea of neoliberalism. As far as they come to terms with the 'judgement of market', unsurprisingly, Blairites cease to pursue traditional social democratic goal of 'greater equality of outcome', and thus started to perceive 'equality' in terms of 'equality of opportunity.' Since 'judgement of market' is now conceived as justifiable for New Labour, there is no legitimate basis left for the deliberate redistribution of outcomes. Therefore, in contrast to the rather ambitious approach of traditional social democracy, aspiration for 'equality' is now conceptualized in a much more moderate way. In sum, even though being different from the Thatcherism's standpoint, New Labour's approach towards 'liberty' and

‘equality’ is still shaped by the underlying premises of the hegemonic idea of neoliberalism.

Alongside their ideological preferences summarized above, New Labour’s position regarding some major practical policy areas such as ‘public policy’ and ‘economics’ also reflects their convergence with the neoliberal hegemony. With respect to economic policy, New Labour shares the broad perspective suggested by the Thatcherite New Right. In fact, for Blairites, supply-side economic policy prescriptions that first and foremost resort to the ‘individual initiative’ and ‘market mechanism’ constitutes the only viable alternative in today’s ‘global economy’. Therefore, it is evident that with regard to the economic policy New Labour exhibits a large degree of continuity with the hegemonic idea of neoliberalism. However, although sharing the same major perspective or in other words the ‘road map’, New Labour’s approach slightly differs from Thatcherism’s in the sense that they attribute a possible role to the ‘state’ in the ‘supply-side’ framework. For Blairites, when divorced from Thatcherism’s ideological prejudices, supply-side economics might indeed function better if the ‘state’ contributes in a proper way. In other words, for Blairites, let alone being ‘detrimental’ as such, ‘state’ might have a positive role in the stimulation of supply-side economics.

When we assess and focus on another important practical policy area; ‘public service’, the situation is more of the same with ‘economics.’ Once again while perpetuating the major hegemonic idea of neoliberalism, New Labour’s approach differs from the New Right’s. It is in fact obvious that by persisting in the ‘public’ character of ‘public service’, New Labour manages to distance itself from the Thatcherite approach which can be characterized with its tendency to ‘marketize’ and ‘individualize’ the ‘public service’. Nevertheless, even though rhetorically emphasising its ‘public’ character, on the matter of ‘public service’, Blairites somehow still do not hesitate to reinforce particular hegemonic language of market-oriented society evident in the popular notions such as ‘competitiveness’, ‘efficiency’ and ‘customer choice’. In fact, as in line with the hegemonic idea of neoliberalism, New Labour seems to welcome both the ‘market’ and also its particular ethic and judgement mechanism for the provision of public services.

Consequently, when analysed in terms of its practical policy approaches as well as its new ideological blueprint, New Labour movement displays a remarkable

convergence with the hegemonic idea of neoliberalism; the so-called ‘market-oriented’ society. However, somewhat ironically its policy agenda also significantly differs from Thatcherism which is legitimately identified with neoliberalism in Great Britain. Although this statement undoubtedly seems contradictory at first sight, it makes sense when we discern that there have always been at least two strands within the neoliberalism. One is so-called ‘laissez-faire’ strand, and the other is the so-called ‘social market’ strand.²⁸⁸ Although they are clearly identical with regard to their basic assumptions about the nature of social phenomenon, the two are significantly differ from each other when it comes to the management of economy. While social market strand seems more in favor of an active ‘state’ that might contribute to the efficiency of ‘free market economy’, laissez-faire strand on the other hand is cynical with any sort of state intervention and thus advocates that the ‘market mechanism’ should be left on its own. In this sense, by taking their respective approaches towards the ‘state’ into consideration, it seems legitimate to argue that at least at a theoretical level, while on the one hand Thatcherite New Right represents the ‘laissez-faire strand’ of neoliberalism, on the other hand New Labour seems to coincide with the ‘social market strand’ of neoliberalism.

In sum, as displayed throughout the thesis, New Labour to a large extent seems to perpetuate the basic assumptions of neoliberal hegemony. However, by adopting a social ‘inclusionary’ project expressed in the notion of so-called ‘one nation’, they sort of represent the ‘second stage’ within the same hegemonic project. That is to say, while the so-called Thatcherism-that radically established the ‘hegemonic project’ of neoliberalism by disrupting the existing patterns- is constituting the ‘first stage’ of the ‘hegemony’, New Labour project functions as the ‘second stage’ which managed to further perpetuate the ‘hegemony’ by providing it a broader legitimacy across the society.

²⁸⁸ **Gamble, A** “Two Faces of Neoliberalism” in *The Neoliberal Revolution: Forging the Market State* ed. **Richard Robison**, 2006, Palgrave Macmillan, pp.21-22

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