

**IN SEARCH OF A RELATIONAL PERSPECTIVE:
A CRITICAL INQUIRY INTO THE THEORETICAL ROOTS AND
POLITICAL IMPLICATIONS OF STATE/MARKET DUALITY IN THE
CONTEXT OF GLOBALIZATION**

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ABSTRACT

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This thesis is aimed at making an inquiry into the theoretical roots of a dualistic approach used in the analysis of state/market relation and at showing in what ways this approach dominates the current debates on globalization and the state. For the theoretical discussion, the works of Hayek, Weber and Polanyi; for the actual discussions, selected methodologies from the international political economy literature are examined. The study argues that two dominant approaches emerging in the political economy literature, which can be identified as “state-centric” and “market forces-centric”, do reproduce state/market duality and that an alternative perspective which may overcome this duality can only be elaborated within the framework of the form analysis.

Keywords: State, Market, Duality, Form, Globalization.

ÖZ

İLİŞKİSEL BİR PERSPEKTİFİN ARAYIŞINDA: KÜRESELLEŞME BAĞLAMINDA DEVLET/PIYASA İKİLİĞİNİN KURAMSAL KÖKENLERİNİN VE SİYASAL SONUÇLARININ ELEŞTİREL BİR SORGULAMASI

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Bu tez devlet/piyasa ilişkisinin analizinde kullanılan düalistik yaklaşımın kuramsal temellerini araştırmayı ve bu yaklaşımın güncel küreselleşme/devlet tartışmalarına ne şekilde hakim olduğunu göstermeyi amaçlamaktadır. Kuramsal tartışma için Hayek, Weber ve Polanyi'nin eserleri; güncel tartışmalar için ise uluslararası siyasal iktisat literatüründen seçilmiş yaklaşımlar incelenmiştir. Çalışma, siyasal iktisat literatüründe öne çıkan ve devlet-merkezli ve piyasa güçleri-merkezli olarak adlandırılabilen iki hakim yaklaşımın devlet/piyasa ikiliğini yeniden ürettiğini ileri sürmekte; bu ikiliği aşacak alternatif bir yaklaşımın ise, form analizi çerçevesinde geliştirilebileceğini iddia etmektedir.

Anahtar Sözcükler: Devlet, Piyasa, İkilik, Form, Küreselleşme.

To my dear mother,
For her endless love, patience and devotion.

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CHAPTER I

INTRODUCTION

The state, which was the black box and was not studied effectually before the Keynesian era, has become a contested issue again in the context of globalization. The axes of discussion are not only its specific roles and functions but also the state as such, state as an entity. This new debate, which found its repercussions in the titles of the books published in the 1990's like *The End of Sovereignty*, *The Borderless World*, *The Retreat of the State*, *The Myth of Powerless State*, *States in the Global Economy: Bringing Domestic Institutions Back In*¹ etc., which deal with the future of the state and the role the nation state plays in capitalism, is not restricted to the academic sphere, but has also a highly political dimension: if the pre-1980 period were characterized by the so-called “dominance of the state”, the present era would witness the return of the old myth of a self-regulating market. Yet, what was experienced was not the revitalisation of an old myth in a new bottle, but its re-constitution in a new context by a new myth teller.

¹ The authors of these books are, respectively, Camilleri and Falk (1992), Ohmae (1990), Strange (1996), Weiss (1998) and Weiss (2003).

This new context allowed the dissemination of a free market ideology, which is based on the idea that markets are the most efficient means for co-ordinating modern societies² (Boyer, 1997:56), and that public intervention tends to do more harm than benefits, finding its repercussions in every sphere of life. The concerted attempt of monetarism to bring back the ideology of market to the centre of the political stage (Bonefeld, 1995) played a crucial role in that process. The myth tellers of a self evident market argue that the market means more than its classical definition, which used to depict market as a co-ordinating mechanism where the forces of supply and demand in an economy determine prices, output, and methods of production via the automatic adjustment of price movements (Boyer, 1996: 3). These myth tellers state that the market must rule everything, for it is the ultimate instrument of efficiency.

This belief in the omnipotence of market forces in the neo-liberal era is only one side of the story; the argument that the states are in retreat vis-à-vis market forces is on the other side of the coin (Strange, 1996). The role attributed to the states in this myth, is only adapting to the market forces, presuming that the result of the Keynesian policies have already shown the inability of the states to cope with the economic problems. Therefore, political responsibility for the market relations and intervention to the market were expected to be prevented and a clear separation between state and market should be established (Bonefeld, Brown and Burnham, 1995).

² This is only one of the pro-market arguments, on which superiority of the market is based. Boyer emphasizes four important pro-market arguments (i) the invisible hand argument, which admits that market makes compatible the independent and conflicting strategies of individual agents who pursue their self interests (ii) market function in combining scattered partial information (iii) market's role in stimulating technical change, innovations and (iv) selecting among alternative organizations and institutions (Boyer, 1997: 57-58). Also, for an extended discussion of pro-market argument see O'Neill (1998)

The justification for showing how unjust the government intervention may become, is made with reference to the negative outcomes that the Keynesian policies have produced, such as unemployment, rise of inflation, etc and with the argument that government failure is more prevalent than market failure. It is stated that,

...markets are necessarily more efficient than governments in anticipating or adjusting to change, that only markets can provide the sort of information necessary to enable producers to stay abreast of new developments, that government failure is more pervasive and more costly than market failure and that attempts by public agencies to provide guidance or leadership in the process of change are bound to fail due to information problems and rent-seeking. (Weiss, 1998: 19).

Another pretext is that the government intervention simply does not work. This strong opposition to government intervention depends on the idea that states can never know more than markets and unregulated and unfettered markets have a superior rationality (Gamble, 1986: 38-43). As far as the state intervention is accepted, the fundamental division of the function between market, “which is the only really dynamic wealth creating mechanism in capitalist society, and the state, “which is at best a necessary evil, at worst inherently parasitic on wealth created through the market.”, is taken for granted (Cerny, 2000: 124). The state should not intervene into the market and should obey the rules, which are dictated and promoted by the myth tellers: pro-market strategies should be implemented vis-à-vis states; nationalised firms in the productive sector should be privatised; any limitation to price

formation should be abolished, and the public welfare system, which is seen as an incentive to laziness, inefficiency, should be privatised³ (Boyer, 1996: 60).

This hegemonic discourse on a free market has been supported by two international agencies which became the institutional supporters of the market vis-à-vis the state in the international arena: International Monetary Fund and World Bank. As Biersteker argues, “the rhetoric of both World Bank and IMF has provided an important rationale for reducing the role of the state in the economy” (Biersteker, 1990: 482). In fact, the emphasis put on the role of the market is among the most important characteristics of Fund’s policy package (Frankel and Khan, 1993: 87)⁴. Hence, World bank and IMF played a crucial role in elaborating the basic principles and adopting of the so-called Washington Consensus⁵ as a new paradigm for state-market relations in the 1980’s, which, as Gore argues, emerged as a dominant approach to development from the early 1980’s to the present, thanks to the stabilization and structural adjustment policies prescribed by these two institutions (Gore, 2000: 790)⁶ Since the 1980’s, Washington Consensus has been grounded on

³ Wade summarizes the limited economic functions of state in terms of the neo-classical view under 6 points: (i) maintain macro-economic stability; (ii) provide physical infrastructure; (iii) supply “public goods”, including defense and national security, education, basic research, market information, the legal system, and environmental protection; (iv) contribute to the development of institutions for improving the markets for labour, finance, technology; (v) offset or eliminate price distortions which arise in cases of demonstrable market failure; (vi) redistribute income to the poorest in sufficient measure for them to meet basic needs (Wade, 1990: 11).

⁴ For Harris, the basic components of desirable economic program for IMF is: (1) Abolition or liberalization of foreign exchange and import controls; (2) Devaluation of exchange rates; (3) Domestic anti-inflationary program, which includes (a) control of bank credit, (b) control of government deficit, (c) control of wage rises, (d) dismantling of price controls; and (4) Greater hospitality to foreign investment (Harris, 1988: 321).

⁵ Washington Consensus “is a phenomenon of a particular time and place. It amalgamates long standing IMF macroeconomic policies, the World Bank’s adaptation of the market deregulation and supply-side economic ideas in vogue in Washington early in the Reagan period and London’s zeal for privatizing public enterprises which crosses the Atlantic a few years later” (Taylor, 1997: 147).

⁶ As Yalman points out “‘State’ and ‘market’ have come to symbolize not only alternative strategies of capitalist development, but also rival premises upon, which the dominant classes in different capitalist countries have attempted to build hegemonic strategies so as to maintain various forms of the state and/or regimes” (Yalman, 1997: 4).

three policy proposals: (a) pursuing a macroeconomic stability by controlling inflation and reducing fiscal deficits; (b) opening the economies to the rest of the world through trade and capital account liberalization; (c) liberalizing the domestic product and factor markets through privatization and deregulation (Gore, 2000: 791-792).

Conditionalities, the details of specific letters of intent, short-term stabilization measures, structural adjustment programs⁷, and stand by arrangements are the most important tools for the Bank and the Fund to change the role the state in the economy (Biersteker, 1990). These policy tools are mainly effective in restructuring the role of the state in economy in developing countries. To regain international credit worthiness, developing countries are advised to stabilize the economy, which corresponds to lowering the inflation rate, restoring competitiveness, reducing the current account deficit and checking the loss of international reserves (Frankel and Khan, 1993).

It is within this historical context that the debate on the relationship between globalization and state is taking shape. In these debates, it is either assumed that globalization is driven inexorably forward by market forces and the state as a unified structure reacting to this external forces (Palan, 2000: 45), or assumed that globalization is itself authored by the state. The market is here

⁷ As Taylor states, bank-sponsored adjustment packages include the following policy moves: (a) Foreign trade should be liberalized; (b) barriers to external capital flows should be cutback; (c) the deregulation of the home financial market; (d) deregulation of the labour markets and business decision making; (e) taxes should be rationalized; (f) privatization of public enterprises; (g) reducing the state intervention and adding transparency to the economy. By these policy tools, the Bank aims to improve allocative efficiency of the market system (Taylor, 1997: 149).

seen either as a *subject* to explain the current changes in state structure or it is taken as an *object* whose transformation is precipitated and authored by the state itself. Hence on the one hand the developments within the market, such as the rise of multinational corporations, transnational finance capital, information technologies or shift from fordist to post-Fordist industrial organization, are taken as an *explanan* to explain changes in the state structure - which is the *explanandum*- ; on the other hand by an alternative mode of explanation, state, which opens capital markets directly or promotes and encourages rather than constrain the internationalisation of corporate activity in trade, investment and production, is taken as an *explanan* to explain the current changes in the world market/national markets- which are *explanandum* -. Although there are differences in the way in which the state and market are approached as objects of inquiry, there is a common methodological link, which binds most of those positions attempting to explain the current transformations in state structure and/or in the markets: They conceive state and market as separately existing, if not always antagonistic entities (Yalman, 1997: 21). As Burnham points out, state and markets are treated as self-evident entities and no attempt is made to develop a framework, which does not take them as two distinct, externally related realms (Burnham, 1994: 226-27). Within this dualistic approach, the market is counterposed with state as two opposed forms of social organization and, on the ontological grounds; they are treated as two distinct externally related entities. Here does the core question, around which this thesis is organized, lie: What are the theoretical roots of state and market duality and how that duality is embodied in globalization and

state debate? To discuss that basic problem, I benefit from the theory of Nicos Poulantzas and the materialist approach of the form analysis so as to reject a dualistic understanding and develop a relational perspective and ask in what way they would help us to reconceptualize a reconfiguration of the state/market relation in which not only state and market would not be conceived as externally related, but also would not be treated as self-interested subjects.

As an initial step to tackle the problem, the first chapter is devoted to a critical evaluation of the liberal-individualist roots of state and market duality with a special and overwhelming emphasis on the works of Hayek and Weber. Polanyi's critique and contributions are inserted in the same chapter, with a view to ask to what extent his institutionalist account can provide insights to overcome that duality, as it is often claimed in the current debates on state and market. In that sense, Hayek, Weber and Polanyi's writings on state and market are discussed, to make explicit how they reason on the relation between state and market. Such an analysis can help one to show the theoretical roots of a dualistic understanding, which implies that state and market do not only have distinct logics, but also are incompatible spheres. To open the way for a non-dualistic conceptualization of the changing relation between state and market, it is inevitable to focus on the theoretical roots of state and market duality so as to shed light on how and why state and market are treated in a dualistic way.

If a more accurate justification were needed, it would be possible to relate the significance of Hayek in the thesis, with the policy prescriptions of the new right, which is grounded on state/market separation. It is very clear that one of the most important policy proposals of new right is its emphasis on the institutional separation between state and market and depoliticization of economic policy making. According to the new right, the economy, as a technical realm, should be protected from the disruptive intervention of market. It can be said that Hayek himself provides important aspects of the policy agenda of new right on state and market, because he is the one to have developed one of the most sophisticated theories, which advocate the superiority of the self-regulating market. Hayek's assertion that modern economic institutions such as market and money were spontaneous creations of individual agents and his emphasis on market as a discovery process, within which new needs, new tastes, new technologies, new methods of organization and products are discovered (Gamble, 1986: 41), has found its repercussions among the authors who swing the pendulum toward the market side in the debate on state and market in the 1980s. Also, Hayek's epistemological advocacy of the market on the grounds that it socializes and combines scattered and partial information is a very important pro-market argument of the same period (Boyer, 1997: 58). Moreover, the way Hayek approaches to the state/market relation constitutes the basis of state and market duality. As it will be shown later, this dualistic kind of thinking is not limited with state and market relation in Hayek, given that, as Gamble asserts, Hayek's whole way of reasoning is, in fact, in terms of dualities (Gamble, 1996: 31).

As for the importance of Weber's studies, it would not be wrong to argue that his analysis of capitalism can provide us with invaluable insights to understand the methodological subtleties from which many authors in the 1980's have benefited from, while discussing the relationship between state and market. Weber reasons on economy via certain conceptual couples and differentiates the very dynamics of economy from politics. This way of reasoning is evident in his analyses of "politically-oriented capitalism" that he contrasts with modern rational capitalism. In "politically-oriented capitalism", politics is defined as parasitic on economics. Swedberg points out to the close affinity between Weber's analyses of political capitalism and the modern analysis of rent-seeking⁸ (Swedberg, 1998). Even though Weber underlines the role played by the state in providing legal compulsion, he keeps intact the duality between state and market in the sense that he treats them as two spheres, which have different institutional rules and priorities. As Giddens argues, the independent effect of the political vis-à-vis economic factors is the central theme of Weber's works (Giddens, 2001). Finally it is important to note that Weber's emphasis on the autonomy of the state reflects upon the recent trends of state-centred analyses in the international political economy, which strongly underlines the institutional autonomy of the state vis-à-vis society-centred forces and swings the pendulum towards the state side.

⁸ This modern analysis of rent-seeking can be found in Buchanan (1986) and Aktan (2002).

The relevance of Karl Polanyi for this first theoretical chapter is not only his critique of the liberal understanding of state and market but also his impact on the state-centric approaches in the debates on globalization and the state. Polanyi, who is among the most important figures of 21st century and inspired effectual critical theories against the myth of the self-regulating market, pointed out to the instituted aspect of economic process and politics of the market in the sense that laissez-faire itself was the result of a direct intervention. There is a close affinity between Polanyi and state-centric arguments, which emphasize the political aspect of the globalization and the role played by institutions in that process. Furthermore, his concept of embeddedness in explaining the relationship between economic and non-economic and the uniqueness of market economy have served as legacy and source of inspiration for those authors who take a critical stance against the myth of a self-regulating market. Most of the followers of Polanyi defined capitalism as an institutionalized order and underlined the embeddedness of market in capitalism. Even though Polanyi argues that “man’s economy, as a rule, submerged in his social relations, the change from this to a society which was, on the contrary, submerges in the economic system was an entirely novel development” (Polanyi, 1971: 64), his followers used the term embeddedness to analyse capitalism itself. In that sense, it is argued that Polanyi discovered “always embedded economy”, even though he did not theoretically formulate it (Block, 2003). Thus, within the limits of first chapter, Polanyi’s conceptualization of the relation between state and market will be discussed in an attempt to reveal the tensions in his work, which inspired different readings

and interpretations. For instance, on the one hand Polanyi argues, in the *Great Transformation*, that “a self-regulating market demands nothing less than the institutional separation of society into economic and political sphere. Such a dichotomy is, in fact, merely the restatement from the point of view of society as a whole, of the existence of a self-regulating market” (Polanyi, 1944: 71); and on the other hand, he emphasizes the historical role played by state in the constitution of the market. Therefore, it is necessary to discuss whether or not Polanyi’s analysis overcomes the duality of state and market.

The second chapter deals with the insights that one can derive from form analysis and Poulantzas’ theory for reconceptualizing state and market in a non-dualistic framework. Form analysis is premised on an influential attempt to dissolve the state and market as a category, and conceptualize state and market not as a thing in itself but as a social form, a form of social relations (Holloway, 1994: 27). Rather than focusing on “interactions”, “interdependencies” and “influences”, form analysis departs from the internal relation between these spheres and endorses the idea that state and market do not exist as externally related entities, one of which determining or dominating the other (Bonefeld, 1992: 100; Burnham, 1994: 228). The reason for choosing the authors who use the form analysis and Poulantzas’ late works, which will be dealt with as far as the scope of the chapter enables, are chosen because they share a common point of departure: the internal relation between state/market, state/class couples to overcome a dualistic way of reasoning. The theoretical roots of form analysis in Karl Marx’s original texts are paid a

particular attention in the chapter, so as to elucidate the way of reasoning of form analysts and the crucial role played by the notion of “form” in their methodology. The last part of the chapter will be devoted to a more specific analysis of the substantial relation between state and market, on the basis of the alternative framework outlined above.

The critical assessment of the two main lines of competing arguments namely the market forces-centric and state centric, about globalization and state constitutes the backbone of the third chapter, which, in a sense, discusses the political implications of a dualistic understanding. While analysing recent changes in state form and effect of globalization in that process, to what extent these arguments by pass or reproduce state and market duality will be the main question to focus on. Market forces-centric arguments treat globalization as an economic phenomenon, which is represented by economic trends such as changes in the production structure, advances in digital networks and information technology, increasing integration of world economy, the rise of multinational or transnational corporations and finance capital, and the shift from fordist to post-fordist industrial organization. These changes are taken as an *explanan* for the loss of nation state’s authority vis-à-vis market based forces. Hence, nation states are considered as the victims of globalization process, given their eroding autonomy. Contrary to these market forces centric arguments, state-centric arguments underline the political factors as independent factors, which promote globalization. They emphasize the role played by states in the opening up of capital markets, encouraging the

internationalisation of corporate activity in trade, investment, and production, and preventing international financial crises. Instead of being a victim, the state is attributed a primary role in the process of globalization. Hence it is taken as an *explanan* to make sense of the above-mentioned economic trends. The basic hypothesis of the chapter will be that both market forces-centric and state-centric arguments adopt the same improvised state-market categories though they invert the value attached to them. Finally, based on the theoretical insights and tools explored in the second chapter (with reference to Marx, Poulantzas and form analysis), I will try to question possibilities for an alternative framework regarding globalization and the state. In that sense it will be argued that a non-dualistic understanding of state and market is required to develop a non-dualistic understanding of globalization and the state as well.

CHAPTER II

THE LIBERAL INDIVIDUALIST ROOTS OF THE STATE-MARKET DUALITY IN HAYEK'S and WEBER'S WORKS and POLANYI'S INSTITUTIONALIST CRITIQUE

2.1. Introduction:

In this chapter, I will focus on the way Hayek, Weber and Polanyi conceptualise the relationship between state and market. I believe that such an analysis would give me a chance to show the theoretical roots of the established state-market duality in the liberal analysis, which assigns different logics to both and asserts that they are two incompatible spheres. To open the way for non-dualistic conceptualization of the changing relations between state and market, it is imperative to focus on the theoretical roots of state and market duality to shed light on how and why state and market are treated in a dualistic way. For all these writers' approaches reproduce this duality in a different way, while Hayek's work represents the best example of it. Weber's studies also depart from the externality between state and market, politics and economics, though there are also strong counter arguments against the latter's treatment here as such. Especially, the way in which he differentiates different kinds of capitalism gives insights about how

he reasons on politics and economics. For instance, his perspective about politics, which he sees it as parasitic on economics, is especially apparent in his distinction between politically oriented capitalism and modern rational capitalism. Moreover, Weber's studies are sensitive to the autonomy of politics vis-à-vis the economic. As for Polanyi, his attitude on the relation between state and market, is much more complicated. On the one hand he emphasizes the role played by state in the rise and constitution of market. In that sense state intervention is not external to market. On the other hand, he emphasizes the institutional separation between state and market without questioning what lies behind this institutionalist fallacy.

In the first section of the chapter, I will discuss Hayek's way of conceptualization of state and market to elucidate how he reasons on them. I will touch upon his methodological individualism, his notion of market as catallaxy and spontaneous order, and his conceptual couples like cosmos and taxis. In the second section, I will discuss Max Weber's ideas about state and market. To follow his line of reasoning, I will exhibit his conceptualizations of economic action and state as well as his analysis on the specific characteristics of different types of profit making activities, especially the politically oriented one. The last section will discuss Polanyi's criticism against the liberal view of the spontaneous rise of the laissez-faire and his attempt to develop 'politics of the market' in order to analyze the means through which the market is enforced by the state. Meanwhile, I will try to indicate some tensions in Polanyi's perspective, which give rise to different interpretations of his work.

2.2. Methodological Individualism as the Basic Premise of Weber's and Hayek's Thought

To understand how Hayek and Weber conceptualise the relation between state and market, it is necessary to discuss the methodological base, which determines the ontological and epistemological status of their objects of inquiry, namely the state and the market. So, it is necessary to discuss how methodological individualism is embodied in the works of Hayek and Weber.

Methodological individualism depends on the assumption that there are no entities other than individuals, which have goals or purposes (Dunleavy and O'leary, 1987: 90). It is premised on the notion that the individual actor is the central unit of analysis in social theory. By departing from individual as the central unit of analysis, it disaggregates totalities into their individual parts for purposes of explanation (Holton and Turner, 1989: 35). Gamble underlines two specific characteristics of methodological individualism:

- 1) All actions are performed by individuals; therefore analysis of social reality must start from individuals, conceived as self-sufficient, fixed entities confronting the external world and responding to its opportunities and constraints by making choices and devising strategies.
- 2) A social collective has no existence and no reality beyond the actions of individual members; therefore it is incorrect to argue as though collectives could have their own will and purposes. Collectives such as the government, the company, the union, the nation are all abstractions and have no reality beyond the individuals that compose them (Gamble, 1996: 53).

But methodological individualism is not a homogenous position. There are important divisions within methodological individual positions, which must be

taken into account. For instance, Holton and Turner make a distinction between two types of methodological position. While the first one claims that institutions and collectivities exist in so far as individual believe them to exist, the second one claims that some institutions exist, even though they are not the product of human design. In that sense they render intelligible the origins and persistence of such undesigned institutions with reference to the activities of individuals (Holton and Turner, 1989: 41). Holton and Turner emphasize that both Hayek and Weber share this second kind of methodological individualism. The clarity of the methodological individualist position of the former is accurate in the following words:

there is no other way toward an understanding of social phenomena but through our understanding of individual actions directed toward other people and guided by their expected behaviour. This argument is directed primarily against the properly against collectivist theories of society which pretend to be able directly comprehend social wholes like society, etc., as entities *sui generis*, which exit independently of the individuals which compose them (Hayek, 1984a: 135).

For Hayek cosmos, which means the spontaneous order, does have not an existence outside the individual. He argues that “its existence need not manifest itself to our senses but may be based on purely abstract relations which we can only mentally reconstruct” (Hayek, 1973: 38). This is exactly the way in which Hayek conceptualises market: “such orders as that of market do not obtrude themselves on our senses but intuitively perceive, this order of meaningful actions, but are only able mentally to reconstruct it by tracing the relations that exist between elements”(Hayek, 1973: 38). In that sense, for Hayek, market is not a reality external to individual rather it is a subjective order (Yalman, 1997: 47). This ontological commitment to methodological individualism is complemented

by a commitment to methodological nominalism, which negates the existence of resulting “aggregates”, which have their own characteristics, purposes etc. as distinct entities. These entities are considered as the ‘choices’ made and ‘actions taken by individual (Yalman, 1997). In that sense as Yalman points out, “methodological nominalism seem to be common epistemological linkage bringing together, subjectivist like Hayek and Weber,....as they all rule out any ontological commitment to the existence of social realities other than individuals” (Yalman, 1997: 35).

This subjectivist position, which asserts that the individual is the ultimate foundation of knowledge, is the corner stone of Hayek’s studies (Dunleavy and O’Leary, 1978: 89). In that sense, both Weber and Hayek “shared a liberal world-outlook in which the ‘subjective’ value judgements of individuals were regarded as authentic and sovereign” (Holton and Turner, 1989: 36). This type of subjectivism also can be seen in the marginalist position’s contribution to the development of economics as the study of isolated individuals expressing their subjective preferences in a taken for granted market situation (Burnham, 1994: 223). It is a well known fact that the marginalist revolution of Jevons, Walras, and Menger, shifted attention from the explanatory principles of classical political economy (land, labour, money) to the abstract assumption of individual rationality grounded in a subjective preference theory based on the concept of utility (Bonefeld, et al., 1995: 8). By focusing on the rational choices of individuals in the market place, they attempted to replace the “objectivist” labour theory of value with a thoroughgoing subjectivism concerning individual actor’s

“end” (Holton and Turner, 1989: 35). However it is important to note that there are crucial differences between Hayek and marginalists on the conceptualisation of individual. While in the neo-classical model the rational actor with his role of maximisation of his/her interest without any limits stays at the centre, in the Austrian model of man, as Dunleavy emphasizes, the uncertainty, ignorance and expectations play a central role (Dunleavy and O’Leary, 1987: 92), because according to the Austrians, especially for Hayek, the perfect knowledge is impossible in principle and economic relations are characterized by uncertainty and risk-taking actions, which often produce unintended consequences (Holton and Turner, 1989: 36). Gamble underlines two key insights of the Austrians, upon which Hayek’s theory of knowledge relies: knowledge is always imperfect in human societies and the cost of economic activity is subjective (Gamble, 1996: 67). It is in thus the thesis of unintended consequences and imperfect knowledge which allowed Hayek to differentiate his position on the subject and market from the neo-classical one.

The methodological convergence between Weber and Hayek is depicted by Holton and Turner on the basis of three points. The first one refers to the objection to the epistemology and methodology of naturalistic induction and the second one is the rejection of organicism in social theory, by an adherence to methodological individualism. As discussed earlier, causal explanations must necessarily include accounts of individual purposes and it must be adequate on the level of meaning. In that sense for Weber too, it is not possible to think state or market as organic transcendental forces. By negating the existence of the

resulting “aggregate” as distinct entities, which are conceived as an outcome of choices of actions of individuals (Yalman, 1997:41), Weber adhered to the nominalist position, which means that the name we give to these aggregates do not refer to really existing entities. Weber also defines collectivities, aggregates in terms of individual action. In *Economy and Society* he states that

...for the subjective interpretation of action in sociological work these collectivities must be treated as *solely* the resultants and modes of organization of the particular acts of individual persons, since these alone can be treated as agents in a course of a subjectively understandable action (Weber, 1978: 13).

The third point of convergence between Weber and Austrian school is the acceptance of a generic conception of economic life as species of action theory. Holton and Turner argue that Weber puts economic rationality, which is depicted by marginalism as the archetype form of occidental rationality, at the centre of his analysis (Holton and Turner, 1989: 45; Jones: 1977).

2.3. Hayek's Thought on State-Market Relation

2.3.1. Liberalism as Science of Spontaneous Order: from Smith to Hayek

In his works, Hayek distinguishes two different liberal traditions. The first one, continental liberalism is represented by Voltaire, Rousseau, and Condorcet, while the second one is embodied in the works of David Hume, Adam Smith, Edmund Burke, T. B. Macaulay, and Lord Acton. Hayek argues that, instead of advocating limitations on the powers of government, continental liberalism - which he also names false individualism or ‘constructivist rationalism’- , “..ended up with the

ideal of the unlimited power of majority” (Hayek, 1984b: 364). Furthermore, he states that English tradition is

...based on an evolutionary interpretation of all phenomena of culture and mind and on an insights into the limits of the powers of reason. The second rest on what I called ‘constructivist rationalism’, a conception which leads to the treatment of all cultural phenomena as the product of deliberate design... (Hayek, 1984b: 364).

Instead of analyzing institutions on which human achievement rest as a result of deliberate human action, true individualism, on the other hand, which is grounded on evolutionary rationality, tried to show how these institutions had arisen spontaneously. Analysing the spontaneous orders is the secret essence of true liberalism. As Hayek puts it,

it is the contention that, by tracing the combined effect of individual actions, we discover that many of the institutions on which human achievements rest have arisen and are functioning without a designing and directing mind; that as Adam Ferguson expressed it, “nations stumble upon establishments, which are indeed the result of human action but not the result of human design.”; and that the spontaneous collaboration of free man often creates things which are greater than their individual minds can ever fully comprehend. This is the great theme of Josiah Tucker, Adam Smith, of Adam Ferguson and Edmund Burke (Hayek, 1984a: 135).

Studying the unintended consequences of individual actions and spontaneous orders was an important theme of eighteenth century Scottish Philosophers, but as Gordon argues, it was Adam Smith who effectively used it while analysing the mechanism of market institution (Gordon, 1998: 144). In that sense, a brief sketch of the way in which Smith analyses market as a spontaneous order will make explicit the logic applied by the evolutionary rationalist tradition. As generally acknowledged, Smith is interested in explaining the mechanism which holds society together. For Smith, the crucial question is how it is possible for a community in which everyone is busily following his self-interest not to fly apart

from sheer centrifugal forces: what is that guides each individual's private business so that it conforms to the needs of the group? (Heilbroner, 1999: 53-54). In that sense, the main problem, which should be explained, is not why people are selfish, but rather explaining the system, which works for the benefit of all (Buğra, 1999: 94). As Heilbroner argues these questions leads Smith to the formulation of laws of the market (Heilbroner, 1999: 54). The impressive answer of Smith to above-mentioned questions is the *hidden hand* of the market. A quotation from Smith, however long it might be, is worth noting here since it could be very illuminative to grasp the meaning of the hidden hand:

but the annual revenue of every society is always precisely equal to the exchangeable value of the whole annual produce of its industry, or rather is precisely the same thing with that exchangeable value. As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it (Smith, 1937: 423).

For Hayek, the meaning of the spontaneous order resides in the fact that it helps one to show how in and through the market, the individual contributes “to ends which were no part of his purpose” (Hayek, 1984a: 140). A focus on his analysis of the market could then enable to accentuate his link with this true individualist liberal tradition.

2.3.2. Market as Catallaxy and Spontaneous Order

To demonstrate the dualistic character of Hayek's understanding of the market, it is inevitable to reveal how he introduces the couples of taxis/cosmos, economy/catallaxy and examines these couples as products of unintended consequences and spontaneity. Therefore this part is devoted to the way in which these couples become the roots from which the dualistic conceptualisation of state/market in Hayek is derived.

To reveal the specificity of the market order, Hayek departs from the distinction between *taxis*, which is a made order and called as “exogenous order”, “construction”, or directed social order as an “organization, and *cosmos*, which is a self generating or spontaneous order in the sense that no one consciously creates it (Hayek, 1973: 36-37). Cosmos, which is “the product of action of men but are not the product of human design”, is different from taxis, whose type of order is determined from outside to achieve special purposes. (Hayek, 1973: 37). For Hayek cosmos has no purpose “although its existence may be serviceable to the individuals who move within such orders”. The rules, which govern the spontaneous order, must be abstract, independent of any purpose and “be the same, if not necessarily for all members, at least for whole classes of members not individually designed by name.” (1973: 50). The distinction Hayek makes between cosmos and taxis and differences between the rules, which these two

orders abide by, is crucial to understand the way Hayek approaches the state and market relation.

In a cosmos type of organization we can only ascertain general rules, to which people within this organization must obey. For Hayek, individual is free to move within this framework of general rules (Erol, 1997: 117). Market is an example of cosmos type of spontaneous order and “it comes about as the unintended consequences of all agents using the local knowledge at their disposal to pursue their interest within a framework of general rule that prescribe just conduct” (Gamble, 1996: 37-38). At that moment the role of his emphasis on spontaneity, dispersion of knowledge and unintended consequences as a corner stone of his advocacy of the market can be seen. For Hayek liberal political economy is declared as the “science of spontaneous process” (quoted from Hayek by Yalman, 1997: 32). He always emphasizes the unintended nature of the market and defends his thesis of unintended consequences on epistemological grounds (Yalman, 1997: 52). While stating that “the production of overall order is of course not the conscious aim of individual action since the individual will not have any knowledge of the overall process” (quoted from Hayek by Yalman, 1997: 52), Hayek ascribes the relation between knowledge and human capacity a central role to understand social order. In fact, his emphasis on the unintended nature and limited capacity of human action to remake, or transform the conditions of life reveals his reaction to Enlightenment (Yalman, 1997). Similarly, Barry argues that Hayek’s belief in the superiority of spontaneous forces over conscious decision-making, as an expression of his anti-rationalism is

indeed utilitarian in origin (Barry, 1987:29). In his insistence on unintended consequences Hayek directly follows liberal tradition of invisible hand, which refers to the idea of the individual contributing to the interest of society, while pursuing his own interest.

Another very important component of the Hayekian understanding of the market is his ideas on the division of knowledge. As Barry points out, Hayek supplements his theory of division of labour in economy and society with his ideas about the division of knowledge (Barry, 1987: 30). Because of the dispersed, decentralized and fragmented character of knowledge, social and economic knowledge cannot be centralized either in the mind of one person, or in the one institution in a complex society. Hence, “the knowledge of circumstances of which we must make use never exist in concentrated or integrated form but solely as the dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess” (quoted from Hayek by Gamble, 1996: 67). By departing from such an argument, Hayek attempts to underline the superiority of the market in coordinating actors and dispersing knowledge. For Hayek, market is an arena in which all decentralized knowledge is brought by activities of different agents. Therefore, “the market order...will regularly secure only a certain probability that the expected relations will prevail, but it is...the only way in which so many activities depending on dispersed knowledge can be effectively integrated into a single order” (quoted from Hayek by Gamble, 1996:38). Hayek evaluates the solution to the problem of the dispersion of knowledge as a solution of the problem of co-ordination of activities (O’Neill,

1998: 218). At that point does once again the distinction between Hayek's conception of the market and that of the neo-classical one arise. Hayek does not base his theory of the market on a general equilibrium or perfect competition. Rather for him, "market is one which rests upon inevitable imperfections of the market process" (Gray, 2000: 127).

To understand both the peculiarity and superiority of the market order, the distinction Hayek makes between economy and market provides also with important insights. While the economy consists of allocating the means to the ends (Hayek, 1995: 149), the market, which Hayek calls as catallaxy, depends not on common ends but on the reciprocity and reconciliation of different ends of individuals for their reciprocal utility. Catallaxy, within which knowledge is dispersed, fragmented and imperfect, is defined as an order, which makes possible the mutual adaptation of different economies (Hayek 1995:150). As Çakır emphasizes, catallaxy accommodates different ends of each individual, which merges different potentials of each one, in their differences (Çakır, 1987: 104). This is the point where the superiority of the market lies: the advantage of the spontaneous order of the market lies in the fact that it is not concerned with the ends themselves, but with the means. Thus the reconciliation of different ends is possible in the market (Hayek, 1995: 154). Therefore this type of order, which is called as cosmos, catallaxy or market is more superior to its reverse, which is called as taxis, planned economy or the state. As Yalman states the superiority of the market "would not be elevated in terms of its efficiency in generating wealth, but rather in terms of its superiority over available alternatives as a means of

coordinating individual's preferences 'non-coercively'" (Yalman, 1997: 53). So, Hayek justifies market order not with reference to wealth-maximization but to its coincidence with individual freedom (Gray, 2000: 140-141). But it is important to note that the market, which produces above-mentioned results, is not an end in itself. As it is discussed, it is neither the result of constructive rationality nor does it have any purpose, but it is the product of actions of individuals. As Barry argues,

what makes the idea of the market *prima facie* favourable to the liberal ideology is that its mechanisms are entirely individualistic. The market has no ends and purposes (indeed it is misleading to speak of the market as such); market phenomena merely emerge from the actions of individuals pursuing their ends and purposes (Barry, 1987: 33).

2.3.3. Limited State at the Service of the Market Order

Liberalism has to show how the demand for the reduction of coercion to the absolute minimum can be made consistent with the necessity of some organized force in society (Barry, 1987: 65). As Gray argues "the sine qua non of the liberal state in all its varieties is that governmental power and authority be limited by a system of constitutional rules and practices in which individual liberty and equality of persons under the rule of law are respected" (Gray, 1986: 75). In that sense, the role of the state is limited to drawing the framework of the market society (protection of law and order, national security, recognition of property rights, continuation of competition in the market) (Caslin, 1993: 293). Hayek follows this heritage in his insistence on drawing the borders of state activity with the enforcement of general rules that define the market order and makes the relations in the market possible (Gamble, 1986: 50). He states that

...the state, the embodiment of deliberately organized and consciously directed power, ought to be only a small part of the much richer organism which we call "society", and that the former ought to provide merely a framework within which the free (and therefore not "consciously directed") collaboration of men has the maximum of scope (Hayek, 1984a: 146).

Attempting to draw the boundaries of the state, Hayek emphasizes forcefully that individual is the ultimate judge of his ends. This view forms the essence of his individualist position. But this does not mean that there could never be any social or common end. Social and common ends may emerge from the coincidence of individual ends and are instrumental from the point of view of the individual. In this sense, state is the product of the fact that "...individuals combine in a joint effort to realize ends they have in common." (Hayek, 1944: 60). Actions of the state must be confined to the sphere where an agreement between individuals (not a transcendental collective goal beyond individual interest) exists. Hence the basic principle of the state activity should be the preservation and enhancement of individual freedom, whose unavoidable condition is market order. The state provides maintenance and improvement of the institutions, which sustain market processes (Gray, 2000:127). However, Hayek is against any intervention of the state into the market, which would affect the decisions of individuals and/or infringes upon individual freedoms. In *The Road to Serfdom* he asserts that

the question whether the state should or should not "act" or "interfere" poses an altogether false alternative...Of course every state must act and every action of the state must interfere with something or other. But that is not the point. The important question is whether the individual can foresee the action of the state and can make use of this knowledge as a datum in forming his plans... (Hayek, 1944: 81).

Intervention to the market via income and price policies disturbs the signalling mechanism of the market and prevents the efficient allocation of it. Moreover, it reduces the productivity of market economy (Barry, 1987: 31). But state intervention does not only produce unintended consequences, it also generates failures in market coordination, which would not otherwise occur (Gray, 2000: 131). In *The Road to Serfdom*, Hayek makes a distinction between *rule of law*, within which government confines itself to fixing rules determining the conditions under which the available resources may be used, leaving to the individuals the decision for what ends they are to be used (Hayek, 1944: 73) and *arbitrary government* which directs the use of the means of production to particular ends. This arbitrary government, which plans economy rather than following formal rules, makes planning more difficult for individuals. But these formal rules, whose concrete effect could not be known, enable us to predict other people's behaviour. Hayek argues that if we know the precise effect of government policy on particular people, government can not be impartial and so "the state ceases to be a piece of utilitarian machinery intended to help individuals in the fullest development of their individual personality and becomes a "moral" institution..." (Hayek, 1944: 77).

Hayek was always against the so-called

politicisation of economy and defines the limits of the politics with reference to market order by overlooking the relationship between state and market. In his studies he focuses on how the economy is politicised due to the transfer of economic decision to the public sphere (Gamble, 1986).

This intrusion of politics into economic activity creates many problems. The basic reason, which is behind his negative attitude towards state intervention, is that

this is the gist of the argument against 'interference' or 'intervention' in the market order. The reason why such isolated commands requiring specific actions by the members of the spontaneous order can never improve but disrupt that order is that they will refer to a part of a system of interdependent actions determined by information and guided by purposes known only to the several acting persons but not to the directing authority. The spontaneous order arises from each element balancing all the various factors operating on it and by adjusting all its various actions each other, a balance which will be destroyed if some of the actions are determined by another agency on the basis of different knowledge and in the service of different ends (Hayek, 1973: 51).

Such government action in the economy disrupts the flow of information within the market. As knowledge is dispersed and fragmented within market, it is not possible to collect knowledge within one centre and to be sure of the outcome of the intervention. Three characteristics of knowledge create these results: knowledge of circumstance is often transitory, local and tacit in character. Moreover, market institutions themselves create knowledge about preferences. (Gray, 2000: 130). This effect of intervention to market is also detrimental to individuals.

However it is interesting to note that Hayek is not a supporter of the minimal state. He still gives some role to the state, because he emphasizes that coercion can be avoided altogether only by the threat of coercion (Gamble, 1996: 42). Limited state activity is necessary for the continuance of spontaneous order of society:

Although it is conceivable that the spontaneous order which we call society may exist without government, if the minimum of rules required for the formation of such an order is observed without an organized apparatus for their enforcement, in most circumstances the organization which we call government becomes indispensable in order to assure that those rules are obeyed (Hayek, 1973: 47).

Among the other activities of this limited state one can also cite the duty of collecting taxes to provide certain services, which can not be provided by markets and of providing security against the external enemies and natural disasters (Hayek, 1997).

The conceptual dualities used by Hayek are depicted by Gamble in the following diagram, which reflects successfully his way of dualistic reasoning:

Evolutionary rationalism-constructive Rationalism
Spontaneous order-organization
Cosmos-taxis
Catallaxy-economy
Freedom-coercion
Individualism-socialism
Justice-social justice
Abstract-concrete (Gamble, 1996: 31-32).

Hayek discusses state-market relations in the context of these conceptual dualities, in which the separation of state and market is taken for granted. But this methodological framework, apart from ignoring the internal relations between state and market, carries certain internal contradictions and tensions. For instance, though Hayek is against any methodological position, which attributes self-existence to market itself, he reproduces the same methodological fallacy of market as a self-existing category. As Yalman points out,

....ironically, the advocates of the thesis of unintended consequences gloss over the implication of their theoretical consistency. That is, the conception of the market as a spontaneous order implies a 'totalising structure' one that would not simply 'enable' but equally 'constrain' or even 'coerce' the individuals into specific types of behaviour in accordance with the abstract requirements of the market (cf. Hodgson 1988 p.179; Jameson, 1990, Wood 1990) (Yalman, 1997: 32).

Moreover, within Hayek's a-historical theoretical framework, which naturalises (or present as universal) the historically specific social relations of capitalist society (Burnham, 1994: 223; Çakır, 1987: 99), one cannot comprehend the emergence of the market, which is the arena of the evaluation of the efficiency of individual (Çakır, 1987). For Hayek, market is not a political entity; rather it is a purely economic entity composed of the choices of individuals. So, the contradictory nature of the market is overlooked. Not only the substantial relation between state and market is underestimated, but also state and market are counter-posed as two antagonistic spheres of social organization. In that sense, state intervention only results in failures, which disturbs the efficient functioning of a market economy. These theoretical assumptions of Hayek found its repercussions in the neo-liberal ideology, which departs from the strict separation of state and market and in most of the authors who clearly see state and market as incompatible spheres.

These theoretical contradictions in his analysis of the market find their expression in his understanding of the state as well. Çakır states that the need for law within catallaxy seems to be in contradiction with the market's "perfect" nature (Çakır, 1987: 107). Furthermore, the emphasis on the tendency for strong state can be seen as the requirement of the recognition of property rights (Çakır, 1987:109).

This tendency can also be observed in New-Right's dependence on more authoritarian and repressive measures in order to introduce greater "freedom" to economy. So, "the price of forcing the market to be free is strong state" (Gamble, 1986: 51).

2.4. Weber's Thought on State and Market

It is a well-known fact that Weber attaches a peculiar importance to non-economic phenomena that influence the economy. For instance the *Protestant Ethic and the Spirit of Capitalism* focuses on the role of religious ascetism in the emergence of capitalism. Although it is suggested that Weber unreservedly accepted the definitions of the neo-classical marginalist theory (Jones, 1977:30), there are counter arguments, which admit that in Weber's view politics and economics are closely interconnected and must be analysed together (Swedberg, 1998:55). Swedberg argues that whereas microeconomics tends to regard economic action as an exchange among equals, Weber incorporates power dimension into economic action by saying that "the price on the market is a result of economic struggle (price struggle)" (quoted from Weber by Swedberg, 1994: 265). According to Swedberg, Weber conceives economic action in its social, power and meaning dimensions. These three ingredients distinguish Weber's conception of economic action in his sociology from that used in economics (Smelser and Swedberg, 1994: 5-10). Hence it is highly problematic to argue that struggle is external to Weber's conception of politics and economics. In that sense, it is claimed, Weber's studies are not a simple continuation of liberal

framework on the relation between politics and economics, though it carries certain similarities. Therefore, finding out how Weber himself made sense of the economic and political with reference to his own work gains significance.

Because of the existence of competing explanations, to discuss the Weberian framework, I will begin by revealing how Weber conceptualized the relationship between economics and politics (i.e whether or not this relationship was posited in a dualistic manner or not) so as to pave the ground for showing the way in which he understood state/market relation. In that sense first of all, I will try to specify how Weber defines economic action, market and market economy. Thereafter I will make explicit how his depiction of the relation between politics and economics has a direct repercussion on his analysis of political capitalism and the modern rent-seeking analysis. Thus I will reflect upon the different logics of political capitalism and rational capitalism in Weber's studies. This point is crucial to understand the effect of Weberian legacy on rent-seeking analysis, which assumes an ideal model of the dualistic understanding of state and market relation. Meanwhile, I will also touch upon the thesis of antinomies and contradictions, which Weber's theory of constitutional state run into. These antinomies are seen as the reflection of the crises of liberalism in the age of transformation from a civil bourgeoisie to a mass society (Mommson, 1989: 38). Lastly, I will specifically focus on Weber's conceptualization of market economy and his definition of the state, which is related to the central theme of the thesis, so as to discuss the absence or presence of dualism in Weber's reasoning, as I have discussed for Hayek.

2.4.1. The meaning of the political and the economic for Weber

As already point out, it is generally acknowledged that Weber focused on the complex interpenetration of economic and non-economic influences at work in the economy (Holton and Turner, 1989: 48). So it is necessary to discuss whether Weber produced the theory of this ‘interpenetration’, while conceptualizing the economic and the political or not. Economic action, for Weber, is “any peaceful exercise of an actor’s control over resources which is its main impulse oriented towards economic ends” (Weber, 1978: 63). In that sense, Weber defines economic action not within the paradigm of activity of production but within control over resources and he tries to produce a purely “economic” definition of economic action. By insisting upon the element of subjective meaning, he conceptualizes economic action as a form of social action (Jones, 1977: 33), which should be the central unit of analysis. Therefore “ ‘economic’ process and objects are characterised as such entirely by the meaning they have for human action” (Weber, 1978: 64). It is always the meaning of the action, which is decisive for Weber who believes that different categories of economic action can only be analysed as actions, which have a subjective structure (rationality) (Jones, 1977). Furthermore “the use of force is unquestionably very strongly opposed to the spirit of economic activity” (Weber, 1978: 57). As will be discussed later, the use of force or the monopoly of use of force belongs to the sphere of politics not economics.

Weber reasons on economics via certain conceptual couples like natural /market economy, market/planned economy, formal/substantive rationality. For instance, in order to better elucidate his understanding of the market or the *differentia specifica* of the market economy, he refers to the concept of planned economy. This way of conceptualisation is also explicit in his distinction between formal and substantive rationality, which is a key component of Weber's understanding of the rationality of economic action in modern capitalism. As Mommsen emphasizes, Weber tries to show the fact that a highly productive modern capitalism was based on the principle of formal rationality. Weber defines formal rationality of economic action as "the extent of quantitative calculation or accounting which is technically possible and which is actually applied". This formal rationality, which was the basic principle of capitalist order as a regulative idea, was simply enforced by market competition (Mommsen, 1989: 38). The substantive rationality, on the other hand is

the degree to which the provisioning of given groups of person (no matter how delimited) with goods is shaped by economically oriented social action under some criterion (past, present or potential) of ultimate values (werfende Postulate), regardless of the nature of these ends. They may be of a great variety (Weber, 1978: 85).

Formal rationality is in contradiction with substantive rationality in capitalism (Mommsen, 1989: 38). In this distinction, Weber contrasts the formal aspect of economic rationality with potentially wider external determinations that judge formal rationality's process according to cultural values (Jones, 1977: 38-39).

This distinction also finds its expression in the distinction between economy "which is primarily oriented to the problem of choosing end to which thing shall

be applied.” and technology, which depends on choosing appropriate means (Weber, 1978: 66-67). The link between Weber’s and Hayek’s definitions of economy becomes even clearer if one considers the role of choice in economic action. For Weber “the most essential aspect of economic action for practical purposes is the prudent choice between ends. This choice is, however, oriented to the scarcity of the means which are available or could be produced for these various ends” (Weber, 1978: 65).

Is it possible to deduce then, that Weber also departs from dualities to explain the *differentia specifica* of the market economy like Hayek? Although the explanation made by Weber is more complicated than that of Hayek, it can be argued that the underlying logic is the same. For instance Weber emphasizes the distinction between market economy and planned economy to explain the uniqueness of the market economy. He refers to the existence of one criterion, which characterises one side of the couple to explain the other side. He states that “want satisfaction will be said to take place through a “market economy” so far as it results from action oriented to advantages in exchange on the basis of self-interest and where co-operation takes place only through exchange process” (Weber, 1978: 109). Hence, for Weber, the economic activity of organization can not be included in the context of “planned economy”, so far as it is oriented to profit making (Weber, 1978: 111). In that sense the pursuit of profit is the distinguishing characteristic of capitalism.

2.4.2. Political Capitalism versus Rational Capitalism:

One of the prevalent characteristics of Weber's studies is a special concern with explaining the uniqueness of Western capitalism. In *Economy and Society* he enumerates those characteristic features, which differentiate Western capitalism from other ones: Rational capitalistic enterprises with fixed capital, free labour, the rational specialisation and capitalistic enterprises (Weber, 1978: 165). The way he defines capitalism is important to understand his way of reasoning on state and market. For Weber while capitalism is "...identical with the pursuit of profit, and forever renewed profit by means of continuous, rational, capitalistic enterprise", capitalistic economic action is the "one which rest on the expectation of profit by the utilization of opportunities for exchange that is on (formally) peaceful chances of profit" (Weber, 1958: 17). Weber underlines that rational capital accounting is the most general presupposition of present day modern capitalism. In order for rational capital accounting to be an economic norm six conditions must be met: (1) the appropriation of all physical means of production. (2) freedom of the market, which means the absence of irrational limitation on the market. (3) rational technology (4) calculable law (5) free labour. (6) commercialisation of economic life (Weber, 1961: 208-209). It is possible to add to this list two other key conditions for modern capitalism, stressed in *General Economic History*: the state in the modern sense and law based on the concept of citizenship (Sayer, 1991: 94-95).

Historically speaking, the present-day rational capitalism is only one type of capitalism that has existed in history for Weber. In that sense, certain forms of capitalism existed long before modern commerce and industrialisation. The number of different types of capitalism has developed parallel to one another, within and after one another (Swedberg, 1998). In the section of “the Principal Modes of Capitalistic Orientation of Profit-Making” of *Economy and Society*, Weber discusses a number of qualitatively different forms of the “capitalistic” orientation of profit making activity. The precise difference of the modern form of capitalism from other types lies in its differences in the institutional idea through which it operates. While other types of profit making operate through militaristic and political channels, rational capitalism operates through purely “economic” motives (Jones, 1977: 43). This distinction between political or politically oriented capitalism and modern rational capitalism is also illustrative of how Weber differentiates the very dynamic of economic phenomena from those of political phenomena. For Weber politically oriented capitalism exists, when political events and processes open up opportunities for capitalist profit making. In politically oriented capitalism, predatory politics (financing of wars or revolutions and the financing of party leaders by loans and supplies), direct use of force and domination (colonial profits, fiscal profits through the forming of taxes), or unusual transactions with political authorities pave the way for profit making (Weber, 1978: 164-165). By politically oriented capitalism, Weber most often refers to capitalism in antiquity (Swedberg, 1998: 48). He argues that the term capitalism can be extended to Antiquity in so far as one takes into account only economic factors, which means not limiting the term capitalist economy

“with a single form of valorization of capital-the exploitation of other people’s labour on a contractual basis-and thus introduce social forces.” (Weber, 1976: 50-51). The crucial point is how Weber conceptualizes the relationship between economic and political in that kind of capitalism. On the development of capitalism, in the monarchies of Antiquity, political factors were counted among the most important factors, which retarded capitalism. Weber argues that “In the monarchies on the other hand, capitalism was gradually checked by bureaucratic regulation. Large private accumulation in particular fared badly, for its major sources of profit were blocked, and so it was slowly starved out.” (Weber, 1976: 64). As Ellen Meiksins Wood argues, for Weber, the problem is how the development of economic rationality is accelerated or retarded by non-economic institutions and values (Wood: 1995: 172). As a consequence, politics and economics are conceptualised as two antagonistic realms, one of which retards the development of the other.

It is important to note that these politically oriented events and processes, which lie at the heart of profit making activity, are irrational from an economic point of view, that is, from the point of view of the orientation to the market advantages. (Weber, 1978: 166). In that sense there is a certain affinity between Weber’s analysis of political capitalism and modern analyses of rent-seeking. The critical point is not that Weber emphasizes the different logic of politics and economics, but he dualistically theorizes the logic pertaining to these two spheres in the sense that they are depicted as two external realms opposed to each other. This view on the relation of politics and economics, which sees the political as parasitic on

economics, whose development is impeded by the political, finds its repercussions within rent-seeking analyses. Rent-seeking analyses also depart from the duality between political and market allocation of scarce resources. They emphasize that market failures, which emerge from state intervention, are a by-product of politically created incentives within state structure, which allows the self-seeking individuals to escape the invisible hand of the market and redirect policy proposals for their own advantage (Yalman, 1997: 68).

2.4.3. State and Market in Weber: Internally Related or Dualistic?

The concept of the market itself stays at the centre of Weber's analysis of capitalism. In his understanding of capitalism that he calls as modern economy, exchange in the market and market situation play a central role: "Modern economy essentially consists in a complete network of exchange contracts" (Weber, 1978: 67). By market situation (Marketslage), Weber means "for any object of exchange is meant all the opportunities of exchanging it for money which are known to the participants and aid their orientation in the competitive price struggle" (Weber, 1978: 87). It is very clear that exchange, the process of circulation and exchange, not the labour and its appropriation, is considered as the essence of economic activity (Wood, 1995: 158; Giddens, 2001: 44). Therefore as Wood emphasizes "productive activity can be accommodated in Weber's conception of the 'economic' only when it is subsumed under market transactions." (Wood, 1995: 167).

As far as the methodological premises on which the concepts of state and market are grounded, Weber argues that,

a market may be said to exist wherever there is competition, even if only unilateral, for opportunities of exchange among a plurality of potential parties. Their physical assemblage in one place, as in the local market square, the fair (the “long distance trade”), or the exchange (the merchants’ market), only constitutes the most consistent kind of market formation (Weber, 1978: 635).

Weber situates his position on state against the view, which sees the state as an organic transcendental force. His methodological individualist position is also very clear in his definition of the state in *Economy and Society*;

Thus both in legal terminology and in everyday speech the term “state” is used both for the legal concept of state and for the phenomena of social action to which its legal rules are relevant. For the sociological purposes, however, the phenomenon “the state” doesn’t consist necessarily or even primarily of the elements which are relevant to legal analysis; and for sociological purposes there is no such thing as a collective personality which “acts.” When reference is made in a sociological context to a state,... what is meant is, on the contrary, *only a certain kind of development of actual or possible social actions of individual persons*... Thus, for instance one of the important aspects of the existence of a modern state, *precisely as a complex of social interaction of individual persons*, consists in the fact *that the action of various individuals oriented to the belief that it exists or should exist, thus that its acts and laws are valid in the legal sense* (Weber, 1978: 14) (emphasis is mine).

From that paragraph it can be deduced that not only Weber considers the state in terms of the individual action from an individualistic position, but also he includes in his definition a subjectivist perspective, which refers to the presumption that individuals should believe in the validity and reality of the state.⁹

⁹ Here it is important to recall that Weber does not opt for a purely subjectivist position, i.e. he does not want to mean that the reality is nothing but what individuals perceive to be so. He tries to make the empirical inquiry of the concrete reality, but by including to the analysis the cultural uniqueness as well as the subjective evaluations and values. Johnson et al. (1990) argue that Weber’s theory manifests the tension between subjectivism and empiricism in diverse ways.

So far I have tried to show the separate definitions of the state and market, but the question remains that one has to see how the relationship between the two is established. Thus, the question is whether Weber takes the relation between state and market as a relation between two ontologically separate entities, similarly to Hayek, or not. In that sense it is possible to argue that the convergence between Weber and specifically Hayek becomes much sharper when one takes into account their ideas concerning state intervention to the market. Weber makes a distinction between primitive, irrational forms of regulation of market and voluntary market regulation (Weber, 1978:83). The absence of irrational limitations on trading in the market is *sine qua non* for rational capitalism for Weber (Sayer, 1991: 100). Weber himself argues “rationality of the regulation of the markets has been historically associated with the growth of the formal market freedom and the extension of marketability of goods” (Weber, 1978: 83). On the other hand it is also interesting to note that extensive social regulation, pre-eminently through state, plays an important role as conditions under which such markets could operate (Sayer, 1991: 100). Weber opposes the economist’s assumption that economic life is a self-subsistent realm (Holton and Turner: 1989, 47). In *Economy and Society* on the relation between state and market, he makes the following statement:

similarly, though it is not necessarily true for every economic system, certainly the modern economic order under modern economic conditions could not continue if its control of resources were not upheld by the legal compulsion of the state; that is, if its formally “legal” rights were not upheld by the threat of force (Weber,1978: 65).

So, the state, threat of force, is the condition of existence of the modern economic system. But the relation between state and economy is only an external relation in

the sense that they are related as two different autonomous realms of social agency. Nonetheless, though it is possible to observe this dualistic attitude in his ideas about state intervention into economy, Weber exhibits a rather paradoxical attitude on state intervention into economy (Mommsen, 1989). Although he opposes any conception of state as an organic transcendental force and as a form of social agency (Holton and Turner: 1989, 42), he opens the door for “intervention” of state and supports the interest of “strong” state (Giddens, 2001: 27). As Mommsen points out,

Weber assumed that the state could play a relatively autonomous role within the total social system, notwithstanding the fact that, as a rule, it was simply the instrument of the hegemonic group in society at any given moment. As an institution equipped with specific prerogatives different from other institutions of society, the state had the task not only of determining the legal framework conditioning the economic sub-system, but also of intervening whenever necessary in economic and social process when those led to destabilising effect. Here one can find a combination of principles in opposition to one another. On the one hand, the economy, and to some extent also society, is to be organized according to market-economic i.e. competitively oriented, criteria and should therefore be free of direct state control. On the other hand, the state has to operate at times as an ‘interventionist state-if one may use a concept which was not yet in use in Weber’s time (Mommsen, 1989: 39-40).

Though one could legitimately argue that this antinomy takes its roots from the historical conjuncture of Germany that means that the German bourgeoisie had been kept politically weak and inexperienced, which is seen as the “Bismarck’s Legacy” (Swedberg, 1998: 55; Giddens, 2001), it is also important to note that Weber’s paradoxical attitude toward state/market relation is also grounded on the very way in which he treated his objects of inquiry, namely state and market. In fact he saw the economic (market) and the political (state) as externally related realms of social activity. As autonomous structures, state and economy are considered as operating according to their own institutional rules and priorities

(Yalman: 1997: 27). The independent effect of political vis-à-vis economic thus becomes a central theme underlying Weber's work (Giddens, 2001: 43). By saying that he attempts to shed light on the autonomy of politics and law vis-à-vis economy Weber himself proves that this theme is the main problem, which he tries to deal with theoretically in his studies. He states that

the connection between the economy and ...social orders (such as law, politics and religion) are dealt with more fully (in this work) than is usually the case. This is done deliberately so that the autonomy of this spheres vis-à-vis economy made manifest (quoted from Weber by Swedberg and Smelser, 1994: 10).

Within this framework, neither the economic nor the political is seen as a constitutive part of the other at the theoretical level. This is very obvious in Weber's juridical conception of the state as an independent power separate from society. In fact the modern state is

a compulsory political organization with continuous operations (politisher Anstaltsbetrieb) will be called a "state" in so far as its administrative staff successfully uphold the claim to the monopoly of the legitimate use of physical force in the enforcement of its order" (Weber, 1978: 54).

By underestimating, or not taking into account the substantial relation between political (state) and economy (market), Weber gives us an over-politicised account of state. For him "it is not possible to define a political organization, including the state in terms of the end to which its action is devoted" (Weber, 1978: 55). The basis of this rational state is expert officialdom and rational law (Weber, 1961: 250). This over-politicised account of political is complemented with an over-economized account of capitalism. In accordance with the liberal ideal, which attempts to keep politics and economics apart, he separates capitalism into two types: political capitalism and modern industrial capitalism

that he defines as follows: “where we find that property is an object of trade and is utilised by individuals for profit-making enterprise in a market economy there we have capitalism” (Weber, 1976: 51). In this “purely” economic sense, capitalism exists wherever people are engaged in commercial profit taking (Wood: 1995). Capitalism is present as an embryo form in any form of trade and market. So the problem is how the development of economic rationality is accelerated or retarded by non-economic institutions and values (Wood: 1995: 172). Furthermore in Weber the political is external to the constitution of economic not only logically but also historically. These two realms have their own characteristics and rules and thus, must be studied in their own way.

2.5. ‘Politics of the Market’ in Polanyi and Critical Assessment of His Notion of Embeddedness:

Karl Polanyi is one the most important figures of the 21st century who attempted to shed light on the uniqueness of market economy, which he saw as a specific type of organizing man’s livelihood in the 19th century. He criticized directly the liberal dogma of his time, which used to apply economic determinism to all human societies by artificially identifying the economy with its market form (Polanyi, 1971: 7; 1957: 270). This economic fallacy attacked by Polanyi, not only equated economy to the realm of rational, self-interested behaviours, but also assumed that it was valid to expand this definition to all societies in history. For instance, Adam Smith departed from natural human propensity to “truck, barter and exchange”, which is the secret of dominance of market exchange in

nineteenth century. Within this framework market expansion appeared as a continuous and consensual process, which spontaneously emerged from the natural propensity of man (Lie, 1993). Against such an economistic fallacy, then, Polanyi tried to emphasize the specificity of the market economy and challenged the approach, which used it as a trans-historical model (Jessop, 2001: 214).

Two issues discussed in the works of Karl Polanyi appear to be of crucial importance: The first one is the origin, growth and transformation of the nineteenth century capitalism; the second one is the relation of the economy to society in primitive, archaic and modern society (Dalton, 1971). On the first issue, Polanyi emphasizes the historical relativity of elements, which are regarded as essential to all economic forms and he analyses the roots of the great transformation that market society has undergone. On the second issue, he underlines the varied forms of economy within society by using a comparative historical model (Jenkins, 1977). In that sense Polanyi does not only criticize the dominant orthodox perspective on the economy of the present society, but he also attacks the current interpretations of the pre-capitalist economies.¹⁰ Therefore he uses economic anthropology and early economic history to falsify the false generalizations, which state that man have an innate propensity to “truck, barter and exchange”. It is essential to note that this generalization is derived from a very special case of laissez-faire capitalism (Dalton, 1997). In that sense, Polanyi

¹⁰ For instance Polanyi states that “Adam Smith’s suggestions about the economic psychology of early man were as false as Rousseau’s were on the political psychology of the savage” (Polanyi, 1944: 44)

appeals to “primitives”, “in order to “deconstruct” the liberal legends of the European recent past” (Özveren, 1999: 15).

Nonetheless the argument Polanyi elaborated vis-à-vis the heroic myth of a “market emergence perspective” is of particular relevance for the core theme and subject of this thesis: The very accurate definition of the *role-played by the state in the rise and constitution of the market economy*. This point is essential to understand how Polanyi’s own historical evaluations in *The Great Transformation* could give us clues and insights to discuss state and market duality. Gislain states that

here, Polanyi’s *The Great Transformation* is fundamental. The reason is not that it shows the *historical* character of market, but also it indicates what can be considered a market and links this to the different institutional and historical form of the state. By defining each historical type of market, Polanyi strips it of its status as a reference institution always logically prior to the state (Gislain, 1987: 151).

In that framework the term embeddedness plays a crucial role to make sense of the relationship between economic and non-economic explained by Polanyi in a comparative analysis of the old and new society. The question of whether Polanyi uses embeddedness only for societies, which preceded market society, or whether the term can also be applicable to market societies in the 19th century, remains unresolved. So, this section will be limited to a discussion of the way in which Polanyi analyses the relationship between state and market. First of all, I will shortly overview the main tenets of his approach on market society. Thereafter, I shall specifically focus on how the role played by state is defined and elaborated and discuss the politically regulated transition to market society. Meanwhile, I

will try to deal with the recently posed argument on the “transformation problem” in Polanyi, which takes its roots from his emphasis on the shift from the embeddedness of economic system in social relationship to disembeddedness of economy in market society. In that sense I will try to question whether embeddedness can be a solution to the dualistic understanding of state and market relation or the very term embeddedness assumes the separation of the economy from politics.

2.5.1. Uniqueness of the Market Economy:

As already emphasized, the aim of *The Great Transformation* is to shed light on the specificity of market society by drawing a clear line of demarcation between the market society and those societies preceding it. So as to make explicit this line of demarcation, Polanyi focuses on the different places occupied by the economy in society. First of all, he questions the meaning of the economy to determine the meaning that can be attached with consistency to the term economic in all the social sciences. Hence he makes a distinction between the formal and substantive meanings of the economy:

The substantive meaning of economic derives from man’s dependence for his living upon nature and his fellows. It refers to the interchange with his natural and social environment, in so far as this results in supplying him with the means of material want satisfaction.

The formal meaning of economic derives from the logical character of the means-ends relationship, as apparent in such word as “economical” or economizing.” It refers to a definite situation of choice, namely, that between the different uses of means induced by an insufficiency of those means. (Polanyi, 1954: 243).

Polanyi asserts that while the substantive definition can be used for an investigation of all economies of the past and present, the formal meaning can only be applicable to market society in which price-making market system is dominant. In fact only in this kind of society the formal and substantive meaning in practice coincided (Polanyi, 1957: 244). In that sense the assertions that the incentives on which everyday life is organized spring from the material motives and that the institutions of society are determined by the economic system, are true: “Under a market economy both assertions were, of course, true. But only under such an economy.” (Polanyi, 1971: 61). However, when past economies are under consideration, one must keep in mind that in these societies “Man’s economy, as a rule, submerged in his social relations, the change from this to a society which was, on the contrary, submerged in the economic system was an entirely novel development” (Polanyi, 1971: 64). To understand the differences in the mode of operation of these two kinds of society, one must focus on “the manner in which the economic process is instituted at different times and places” (Polanyi, 1957: 250). Thus, to capture varieties in instituted economic processes in those societies (their structural characteristics), Polanyi uses different analytical categories. In that sense it is crucial to understand how similar economic devices such as market, trade and money, play different social and economic roles in different societies where economy is organized differently (Dalton, 1971: xliii). For instance, markets are not new economic phenomena for they existed in all kinds of societies as a subordinate feature of them. Nevertheless they were not in a dominant position until the second quarter of the nineteenth century (Polanyi: 1971).

Polanyi argues that recent historical and anthropological researches show how man's economy was submerged in his social relationships, which means that man "...doesn't act as to safeguard his individual interest in the possession of material goods; he acts to safeguard his social standing, his social claims, his social assets" (Polanyi, 1944: 46). These societies were not characterized by the dominance of economic motives, but rather the economic system ran on non-economic motives.¹¹ For Polanyi such a way of characterizing those societies raises many questions, one of the main ones being how the order in production and distribution is ensured in the absence of profit motive or in the absence of distinct institutions based on economic motive. The answer to that question lies in the fact that there were different principles of behavior and institutional patterns in those societies, which supply the way in which the economy acquires unity and stability (Polanyi, 1957). Polanyi calls these patterns as forms of integration, composed of reciprocity, redistribution, householding and exchange:

Reciprocity denotes movements between correlative points of symmetrical groupings; redistribution designates appropriational movements toward a center and out of it again; exchange refers here to vice-versa movements taking place as between "hands" under a market system. Reciprocity, then, assumes for background symmetrically arranged groupings; redistribution is dependent upon the presence of some measure of centricity in the group; exchange in order to produce a integration requires a system of price making markets. It is an apparent that the different patterns of integration assume definite institutional supports. (Polanyi, 1957: 251).

¹¹ Polanyi criticizes the view, which sees the hunger and gain as the sole economic motives. He insists that one can't take hunger and gain as more economic than love or hate, pride or prejudice. Moreover, "What made the 19th century think of hunger and gain as "economic" was simply the organization of production under the market economy". Hence, no human motive *per se* can be considered as "economic" (Polanyi, 1971: 63-64).

And householding consists of production for one's own use and autarchy is its institutional support. It is significant to note that while conceptualizing these patterns Polanyi doesn't depart from methodological individualist premises; i.e. he doesn't see these patterns as mere aggregates of a personal behaviour. This implies that one can not think reciprocity without symmetrically organized structures -such as symmetrical system of kinship groups-, redistribution without an allocating centre and the act of exchange without price making markets "an institutional set up which is nowhere created by mere random acts of exchange" (Polanyi, 1957: 251). Such a methodological standing takes into account the institutional framework, which is more than individual behaviour. "...The societal effects of individual behaviour depend on the presence of definite institutional conditions, these conditions do not for that reason result from the personal behaviour in question" (Polanyi, 1957: 251).

By giving reference to these different forms of integration, Polanyi tries to show how the order of production and distribution was secured through a great variety of individual motives, disciplined by general principles of behaviour. Gain motive is only one among them and it was not dominant until the second quarter of the nineteenth century. Polanyi focuses on how such a specifically economic interest came into existence and dominated society (Lacher, 1999a). Although markets occurred in all types of societies, they were in a subordinate position and only in market society price-making markets became dominant forms of integration. At that point a distinction is made between regulated markets in which prices are imposed on and self-regulating markets (price-making markets)

in which prices of commodity are determined in the market place. Historically 19th century witnessed the transformation of the isolated markets into a market economy, which was characterized by a self-regulating system of markets. The market economy is then defined as “an economic system, controlled, regulated and directed by markets alone; order in production and distribution of goods is entrusted to this self-regulating mechanism” (Polanyi, 1944: 68)

2.5.2. State Intervention, Politics of the Market and Embeddedness:

As far as the conceptualization of the relationship between state and market is concerned, Polanyi's importance lies in his insistence on the historical character of market and the role state played in *the rise and the constitution of market*. For Polanyi, the very rise of the self-regulating market system as a separate realm requires political action (Block, 2003: 29; Lacher, 1999a: 3). In *The Great Transformation*, he criticizes the belief in a spontaneous progress, which obscures the role of government in economic life and relates the role of the state with the rate of change in the emergence of market society. He argues that “this role consists often in altering the rate of change, speeding it up or slowing down as the case may be.” (Polanyi, 1944: 37). For instance in England, the Tudors and early Stuarts used the power of the crown to slow down the process of economic improvement. Also, the Speenhamland Law prevented the establishment of competitive labour market from 1795 to 1834. But the role state played is not restricted with slowing down the movement. Against the common liberal view, which asserts that the laissez-faire rose spontaneously, Polanyi shifts the attention

to how *laissez-faire* is itself *enforced by the state*. Moreover, the emergence of free market and state intervention are not mutually exclusive. Rather “The road to free market was opened and kept open by an enormous increase in continuous, centrally organized and controlled interventionism” (Polanyi, 1944: 140). It is very interesting to note that three factors of the *laissez faire*, namely the competitive labour market, automatic gold standard, and international free trade were themselves realized or enforced by deliberate state action with the promulgation of Anti-Corn Law (1846), Peel’s Bank Act (1844) and Poor Law Amendment Act (1834) respectively. Hence,

There was nothing natural about *laissez-faire*...The thirties and forties saw not only an outburst of legislation repealing restrictive regulations, but also an enormous increase in the administrative function of the state, which was now being endowed with a central bureaucracy able to fulfill the asks set by the adherents of liberalism. (Polanyi, 1944: 139).

To elaborate this argument, Polanyi goes on to depict how state intervention freed the trade from the confines of the privileged towns. He differentiates the different types of the market in the West. After making a distinction between local trade, internal trade and long distance trade, he shows that internal trade in Western Europe was actually created by the intervention of the state. Deliberate state action entered into the scene in the fifteenth and sixteenth century and “foisted the mercantile system on the fiercely protectionist towns and principalities” (Polanyi, 1944: 65). This demonstrates how the term “market” does not only cover a distinct institutional reality, but also the very institutional reality, to which it refers, is constituted by state action. Consequently “...different historical types of markets can not be analysed except in relation to the types of state which have fashioned and administered them” (Gislain, 1987: 148). Therefore, in the

case of Polanyi, it is not possible to talk about a purely dualistic understanding of state and market, as conceptualised by the liberals, but rather a substantive relation where the state has a constitutive role.

A final role played by the state, as put by Polanyi, concerns the constitution of fictitious commodity of land, labour and money. In the self-regulating market system, all production is for sale on the market and the price of every commodity is determined in the market place. This criterion also includes land, labour and money. Although the criterion of market dictates that labour, land and money be organized in market, "...land and labor are not other than the human beings themselves...To include them in the market mechanism means to subordinate the substance of society itself to the laws of the market" (Polanyi, 1944: 71). As a result, they are not real commodities, which are produced to be sold in market, but fictitious commodities. However, "They could, of course, not be really transformed into commodities, so actually they were not produced for sale on the market. But the fictions of their being so produced became the organizing principle of society" (Polanyi, 1944: 75). The role that the state played in the transition from a situation where land and labour were substances of society into a situation where they became fictitious commodities, is crucial: "only aggressive state action could make these so-called "fictitious commodities conform to the dictates of the market. As a result, market society could not exist for along in pure form, and to the extent that it did, it was creature of politics" (Krippner, 2001: 78).

However, Polanyi's emphasis upon the role of the state in the construction of market society seems to contradict with another emphasis made on the disembeddedness of the market society. In market economy, "instead of economy being embedded in social relations, social relations are embedded in the economic system" (Polanyi, 1944: 57). However, it is highly controversial to assume that Polanyi treats market economy itself as disembedded from social relations (non-economic relations). This assumption, as Block and Krippner argue, is based on a standard but mistaken interpretation of Polanyi (see Krippner, 2001; Block, 2003). It would be more appropriate to interpret it with a view to understand market economy as a system, which continuously depends on extra-economic coercion. So, the crucial questions emerge from that revision of Polanyi: can embeddedness, which refers to a different relation between economic and non-economic, be applicable to market society, too? Furthermore, can the notion of embeddedness be a solution to the dualistic conceptualization of state and market?

The problem of transition is a highly discussed issue among different interpreters of Polanyi. On the one hand Krippner and Block argue that the standard reading of *The Great Transformation* and Polanyi's other works is based on a false assumption about the transition from embeddedness to disembeddedness. This standard reading suggests that for Polanyi before the rise of market society, economies were always embedded in social relations, and that only with the rise of market society, the situation was reversed and the market became dominant (Block, 2003: 282; Krippner, 2001: 780). Block and Krippner conclude that this

standard reading overlooks the core theme of Polanyi's works, the fact that the market is an inextricably social object that reflects "a complex alchemy of politics, culture, and ideology. Furthermore, Krippner states that "these are the elements that form the very ground of economy" and "the state, culture, and politics are contained in every market act" (2001: 782-785).

On the other hand, Lie asserts that Polanyi leaves the core concept of the market of the neo-classical model unchallenged by accepting the neo-classical view that market is an a-social and non-contextual entity. Lie insists that in the works of Polanyi "The market is viewed as an arena in which the cash nexus and instrumental reason predominate. Indeed, it operates as a machine to distribute goods and services without any trace of instituted social relation." (Lie, 1991: 222).¹² In that sense Polanyi is accused of accepting a substantial part of the liberal argument about the economic rationale for laissez-faire (Jenkins, 1977: 70). It is also noted that the market as a form of exchange always existed in a specific social property and production relations. Moreover, Jenkins strictly criticizes the substantivist framework's acceptance of rational economic activity as a dominant element of economy though it considers this assumption as valid only under the conditions of market economy. He states,

thus the substantive 'critique' of economic theory (as understood in the above terms), in focusing on the question of its domain of applicability, is a limited and restricted one and does not challenge the basis of orthodox economic analyses provided by leading twentieth-century exponents (e.g. Smuelson). It merely seeks to relativise the elements of the theory and thus 'find a place' for economic analyses; the central theoretical analyses by economic theory of the 'market economy' are upheld and retained" (Jenkins, 1977: 72).

¹² Criticizing Polanyi, Lie attempt to formulate the market as a concrete structure of social relations constituted by traders. He stresses the variety of forms assumed by "modes of exchange and analyzes commercial history as a product of power struggles among social groups attempting to shape exchange relations in their interest" (Lie, 1993: 275).

One should admit that Polanyi's own words about the place of the economy in market society made it possible to make such an interpretation. In fact, on the one hand Polanyi talks about the disembeddedness in market society, on the other hand he states that "the idea of self-adjusting market is a stark utopia" (Polanyi, 1944: 3). Although his insistence on the historical role played by state in the construction of market is very valuable, it would not be wrong to conclude that the term embeddedness firstly assumes the separate existence of the two spheres, and then relates them.¹³ Embeddedness becomes an important key for Polanyi in differentiating the form of economic life in terms of their principles of distribution rather than relations of production (Jessop, 2001: 214)¹⁴, but the notion of disembeddedness overlooks the substantial relation between state and market. According to Block, Polanyi discovered the concept of "always embedded economy", although he did not theoretically formulate it. By departing from the concept of "always embeddedness", Block argues that there are no analytically separable economic spheres. However the concept of "always embeddedness" also causes further problems in the sense that it is not clear how one can understand the specific place of the economy in different societies in different historical periods.¹⁵ Therefore, the theoretical shift from embeddedness to "always embeddedness" becomes highly problematic in the sense that it dilutes the very meaning of the term.

¹³ Polanyi is also criticized of overemphasizing the autonomous role of the state in explaining the rise of the market society (Lie, 1991: 226).

¹⁴ For a detailed discussion of the concept of embeddedness see Krippner (2001) and Jessop (2001). Krippner states that Polanyi applies the notion of embeddedness, which is a fluid mixing of "economic" and "social" factors, to study institutions as a concrete multiply determined object. Additionally, Jessop classifies four different kinds of embeddedness: (1) the social embeddedness of interpersonal relations; (2) the institutional embeddedness of inter-organizational relations; (3) the 'societal' embeddedness of functionally differentiated institutional orders in a complex, de-centered society (Jessop, 2001: 223-24).

¹⁵ Jenkins underlines that the substantivist perspective fails to provide an adequate conceptualization of the complex intervention of non-economic sphere of social life in the organization of economic activities. In that sense substantivism "must be able to establish the mechanism which generate different types of embedding of the different levels at which instituting is realized" (Jenkins, 1977: 86).

Polanyi's emphasis upon the institutional separation of the economic and political spheres has a particular relevance in that context: "A self-regulating market demands nothing less than the institutional separation of society into economic and political sphere. Such a dichotomy is, in fact, merely the restatement from the point of view of society as a whole, of the existence of a self-regulating market" (Polanyi, 1944: 71). This separate existence of the economic sphere created a gap between politics and economics, what Polanyi calls as "no man's land" (1971: 75). But he doesn't ask the question of what really lies behind this institutionalist fallacy. To grasp the underlying dynamics of this institutional separation one should then shift attention from the market, as an arena of exchange nothing other than a form of the social relations of production, to the development of the specific mode of production, capitalism, as Wood would suggest (Wood, 1995). Meanwhile, As far as his conceptualization of state action is concerned, it can be said that for Polanyi, the determinants of state action are not particular interests, which are located within society, but the logic of society in its totality (Block and Somers, 1989: 68). For Polanyi,

Thereby the state acted in the interest of society as a whole when it passed protective legislation, and yet the same was true when it passed promarket laws; it clearly did not "belong" either of these forces. The state was necessarily both a universal, representing the interest of society against the market, and a class state, pursuing the agendas of the capitalist class, since the reproduction of capitalist relations was necessary to preserve society. The state became, in short, the crystallization of the contradictory impulses of nineteenth century development (Block and Somers, 1989:68).

It is inevitable to ask, then, how state can be both a universal state, which acts for the sake of society, and a bourgeois state, which acts for the sake of particular interests? State can act in that manner only if it is both totally insulated from society and embedded within it. However, in this assertion, not only state autonomy is taken for granted, but also class relations and forces, which shape the agenda of state and forces it to act in that or this manner are ignored.

Last but not the least, it can be asserted that Polanyi's analyses give important insights to understand the substantial relation between state and market, even though he did not investigate what lies behind the backs of the institutional separation of state and market. Furthermore, as Polanyi discussed in *The Great Transformation*, although the movement of laissez-faire is not natural but rather imposed by state, the counter-movement of society is spontaneous. Polanyi reversed the whole liberal narrative of his time, which took the protective reflexes of society as responsible from the collapse of society. For him, the protection of society, the counter movement, which consists in checking out the action of the market with respect to the factors of production, labour and land, is an inevitable part of the constitution and expansion of market society. As Lacher points out, the "protectionism ...formed the integral part of the pathogenesis of the great crises of society"¹⁶ (Lacher, 1999b). In that sense the tragedy of the modern society lies in this contradictory double movement. Although, "once it is established it must be function without outside interference" (Polanyi, 1944: 41), "the self-preserving actions of community, which impairs the working of self-regulating markets via interfering their free functioning emerged spontaneously" (Polanyi, 1944: 201). The problem is whether this protectionist counter movement can be read as a movement, which embeds the economy in the social relation, as Block would suggest, or not. In that sense protectionism and state intervention are not only unable to overcome the market utopia, but they are also part of market society (Lacher, 1999b).

2.6. Concluding Remarks

The discussion in this chapter allows to derive the conclusion that Hayek always reasons in terms of dualities like cosmos/taxis, spontaneous order/organization, evolutionary rationalism/constructive rationalism, state/market (Gamble, 1996: 31-32). For Hayek, actions of the state must be confined to the sphere where an agreement between individuals (not a transcendental collective goal beyond individual interest) exists. Hence the basic principle of the state activity should be the preservation and enhancement of individual freedom, whose unavoidable condition is market order. The state provides maintenance and improvement of the institutions, which sustain market processes (Gray, 2000:127), and should not intervene in to market because any interference into market disturbs the signalling mechanism of the market, thus leads to market failures. Therefore, the borders between state and market should be as clear as possible. It is clear that for Hayek state and market have different logics, which are incompatible and thus, the state should be limited as far as possible at the service of the market.

In a similar manner, Weber takes the relation between state and market as a relation between two ontologically separate entities, even though he argues that state is the condition of existence of modern economic system. As autonomous structures state and market are considered according to their own institutional

¹⁶ Polanyi understands society, having a reality of its own, with its contradiction with the market. Society acts to protect itself from catastrophic effect of the market economy (Buroway, 2003)

rules and priorities (Yalman, 197: 27). Bonefeld, Brown and Burnham rightly point out that

variables which comprise a social order, such as the economy, the polity, and civil society, are given no overall structure in Weber's assessment, but rather each is presumed to have a real autonomy which enables any 'factor' to act as a 'determinant'. The autonomy of economy from the polity and civil society, find expression in Weber's statement political action is directed to the achievement of political power for its own sake. Political action, therefore, although they may have economic implications, are deemed to be not directly oriented to economic gain and as such they must be analysed independently of economic factor since their orientation is to a distinctive form of action (Bonefeld, et al., 1995: 8).

Weber's emphasis on the autonomy of these spheres found its repercussions among his followers who draw clear line of demarcation between economically oriented action and politically-oriented action which takes place in the state (Palan, 2000). So, it can be argued that the theoretical roots of the state-market duality are grounded in Hayek, Weber and the marginalist revolution, which displaced the binding explanatory principles of classical political economy with abstract assumptions of individual rationality (Bonefeld, et al., 1995: 8-9)¹⁷.

Opposed to these arguments, as far as the conceptualization of state and market is concerned, Polanyi's importance lies in his insistence on the historical character of the market and the role played by state in the rise and constitution of market. Polanyi correctly attacks the crude liberal view, which asserts that market economy rose spontaneously and he attempts to show how the state freed the trade from the confines of privileged towns and it played a prominent role in the

¹⁷ Though it is not discussed here, as Ronen Palan argues, within the marginalist perspective "states and markets are also seen as two alternative and competing modes of 'resource allocation' so that the increasing scope of one implies by necessity a reduced scope for the other. In this way a conceptual separation of politics from economics has become a presumed political conflict between state and market (Palan, 2000: 145).

constitution of land, labour and money as fictitious commodities. However, after explaining this historical process, Polanyi's analysis reaches its limits. To reiterate my previous argument, he does not investigate the bases of the institutional separation between state and market. In that sense it is highly debatable to admit that Polanyi saw market economy as an "always embedded economy", when one takes into account his insistence on the disembeddedness of market economy.

CHAPTER III

OVERCOMING STATE AND MARKET DUALITY: DERIVING INSIGHTS FROM STATE THEORIES

3.1.Introduction:

As discussed earlier, current debates on globalization and state take state and market as two separate entities, which are related externally and treated as self-evident entities, a characteristic methodological feature of the dominant approaches in the international political economy (IPE) literature (Burnham, 1994: 226-227; Bieler and Morton, 2001: 5). As also mentioned, this duality is reproduced in the policy analyses of the neo-classical thinking. As far as the political implications of this argument are concerned, it is argued that the state should intervene, only if necessary, as little as possible in markets and provide only the legal and political framework, which is required for the successful working of the market. As Tooze argues “this position clearly brings the liberal market economy into tension with the state wherever the boundaries of the market transcends those of the territorial state” (Tooze, 1988: 114). Condemning state intervention, which comes into agenda whenever state transcends the so-called “boundaries” of the market, is the other side of the coin. Nowadays, this

dualistic logic is embodied within the debates about the decreasing role of the state vis-à-vis international financial markets or world market. According to these arguments, while states are losing power, markets emerge as the new centre. As Burnham points out, within this methodological framework, “state is ‘fetishized’, whilst ‘the market’ is de-historicized and viewed as a technical arena in which ‘external’ state ‘intervenes’” (Burnham, 1994: 227).

In order to make a critical discussion of the methodological problems in the debates within the IPE literature in the final chapter, and to overcome the dualistic approach as depicted in the first chapter, this second chapter attempts to shed light on the insights of form analysis and Poulantzas’ late works to re-conceptualise state and market relation from a non-dualistic point of view. In order to achieve that aim, I will focus on the relationship between state and market, politics and economics in capitalism. Therefore, I will depart from the insights of Poulantzas and form-analysis to reveal the substantial relation between state and market, and endorse the idea that state and market do not exist as externally related entities, one of which determining or dominating the other, rather they are forms of the relations which constitute them (Bonefeld, 1992: 100; Burnham, 1994: 228). Put differently, my basic problem will be in what way Poulantzas and form analysis can help us to conceptualize the relation between state and market without falling into a dualistic way of reasoning which treats state and market as not only externally related, but also as self-interested subjects.

First of all, I will try to find out the theoretical roots of the form analysis in Marx's original texts, especially in his analysis of value form, which is crucial to understand why and how form analysis puts a special emphasis on the notion of form. To understand why and how they conceptualize *state as a form*, it is necessary to discuss those methodological points, which they claim are inherent in Marx's own analysis. Thereafter, I will give a brief account of the historical context and the theoretical roots of Poulantzas' studies and of form analysis, the latter being grounded in the German state derivation debate and Open Marxism¹⁸. The chapter will end up with the methodological contributions and insights of form analysis and of Poulantzas' late works, for a non-dualistic understanding of state/market relation, which would pave the way forward to grasp the way in which the state lies at the very core of the constitution of the market.

3.2. In the Pursuit of the Theoretical Roots of the Form Analysis in Marx:

Form analysis takes its roots from the German State derivation debate of the 1970's. The intellectual context, which gave rise to the state derivation debate was the inadequacy of those state theories including the British debate and state monopoly capitalism.¹⁹ German state derivation debate was motivated by the following questions that the contributors found unanswered by the previous theories: Why bourgeois social relations assume the forms expressed in the categories of value, price and money? How then can we grasp the totality of

¹⁸ Form analysis and its conclusions are also developed further by other state theorist like Jessop. But, within the limits of that chapter, I choose to focus on earlier contributions.

capitalist social relations if these historically conditioned relations are fragmented into fetishized forms? In other words why do state and society appear as separate from each other? What kind of contradictions are inherent in capitalist relations of production which result in such a separation? Where does the separation of the economic from the political derive from? Is it a structural feature of the capitalist social relations?

To answer these questions State Derivationists argued that it was necessary to give a materialist theory of the state, not an economic one (Holloway and Picciotto, 1978). The core of the argument was that if the social relations of production are our starting point, then we have to derive the state both logically and historically from these relations whose formulations are the categories used in Marx's *Capital*. These categories were not technical and economic categories, but were differentiated forms of social relations of production.

In the second half of the 1970's, the prominent contributors to the German state derivation debate, Blanke, Jürgens and Kastendiek have been the ones who pointed out to the importance of "form" analysis for a historical materialist method:

the concept form expresses both the basic problem and the essential characteristic of the historical materialist method: the investigation of the connection between the materialist process of production and reproduction of the life of socialized people and the relations between these people who constitute themselves in this process of material reproduction.

¹⁹ For a very detailed review of the state theories preceding German State Derivation debate see Clarke (1991b).

The materialist method consists then of examining the *forms* in which the particular relations between men are expressed and:

1. resolving them into their fixed character, a character alienated from man, apparently materially conditioned and a-historical, and then presenting them as having become historical, grown out of and reproduced by human activity, i.e. as socially and historically determined forms.
2. uncovering their inner connections, thus theoretically reconstructing the entire historical-social formation (Blanke, Jürgens and Kastendiek, 1978: 118).

The emphasis put by Blanke, Jurgens and Kastendiek is traced back to Marx's analysis in the *Capital*. In the *Preface* to Second German Edition to *Capital*, Marx states that the method of presentation should differ in form, from that of inquiry. "The latter has to appropriate the material in detail to analyse its different form of development to trace out their inner connection"²⁰ But this is not the inner connection between two separately existing phenomena. Instead, this inner-connection is the constitutive part of the phenomena itself. Hence, while classical political economy brings outward appearances into an external relationship with one another, Marx focuses on an inner-connection of social phenomena (Bonefeld, Brown and Burnham, 1995).

The category of form is indispensable for Marx in *Capital*, the first volume of which provides the necessary analytical tools for form analysis. Marx begins *Capital* with the analysis of commodity form and elaborates money form and capital form. These are the forms, the mode of existence of the social relations, which are rigidified in these forms (Holloway, 2003: 78). Here the concept of

²⁰ The same methodological position is also called as substantive abstraction by Werner Bonefeld. He states that "to trace out the inner connection of social phenomena is to search for the substantive abstraction which constitutes their social reality as interconnected, as complex form different from, but united to, each other, in order to theorise this inner-connection, the theoretical approach has to specify the historical process which constitutes the comment element that makes social phenomena different from each other in their unity" (Bonefeld, 1992: 99).

form refers to the identity in difference. For instance, rent profit and interest are identical as forms of surplus value (Ollman, 1993: 43).

For Marx, commodity is the economic cell form of bourgeois society. Hence, it is necessary to understand the secret language of commodities to capture the essence of capitalist society. Meanwhile, to understand the way of reasoning of the form analysis, it is very crucial to reveal the way Marx pursues in deriving money form from commodity, because a similar logic is applied by form analysts, while they derive the state from the contradictions of capitalist society. Their argument is premised on the idea that one should follow the same logic as the one used by Marx while understanding exchange value as a historically determined form assumed by social relations in capitalist society (Holloway and Picciotto: 1978). Holloway and Picciotto state that Marx's critique of political economy

sought to penetrate behind the categories of bourgeois political economy to discover the social relations which they concealed, to show that categories such as exchange value, price, etc. are not objective external realities, but merely represent historically determined forms assumed by social relations in bourgeois society (Holloway and Picciotto: 1978: 17).

Another important aspect of Marx's analysis of value form is that it shows how the logical and historical are interrelated (Bonefeld, 1992: 105). In *Marginal Notes on Wagner*, Marx states that

De prime abord I do not start from 'concepts' and hence do not start from the 'concept' of value, and therefore do not have to 'divide' the latter in any way. What I start from is the simplest social form in which the labour product is represented in contemporary society, and this is the '*commodity*'. I analyse this, and indeed, first in *the form in which it appears*. Here I find that on the one hand in its natural form *a thing of use*, alias a *use value*, on the other hand *a bearer of exchange value*, and in this respect itself 'exchange-value'. Further analysis of the latter shows me that exchange value is only a '*phenomenal form*', an independent mode of representation

of the *value* contained in the commodity, and then I proceed to analyse latter (quoted from Marginal Notes on Wagner by Sayer, 1979).

In the first chapter of *Capital* Marx makes a distinction between use value and value, useful labour and abstract labour, and exchange value and value. Although as use value, commodities are of different qualities, as an exchange value they are different quantities. Marx focuses on the exchange value, which appears contradictory in the sense that it seems “...to be something accidental and purely relative, and consequently an intrinsic value” (Marx, 1967: 36). Exchange value has two crucial characteristics. First of all it expresses the relation of equality between commodities, secondly it is “only the mode of expression, the phenomenal form of something containing in it, yet distinguishable from it” (Marx, 1967: 37). However, the salient problem is what lies behind the phenomenal forms of exchange value; what is its content, which can not be reducible to exchange value and finally “why this content has assumed that particular form” (quoted from Marx, 1867: 174 by Burnham, 1994).

To understand these specific characteristics, Marx argues that one should leave out of consideration the use-values of commodities, so that “they have only one common property left that of being product of labour” (Marx, 1967: 38). It is evident that this is not the labour of a different quality, the useful labour, i.e. productive activity of a definite kind. The labour, which makes possible the comparison of different useful-commodities in terms of common property, is human labour in the abstract. When we put aside the useful character of the various kinds of labour embodied in them they are a mere congealation of

homogenous human labour, “of labour power expended without regard to its mode of expenditure” (Marx, 1967: 38). Consequently, as a crystal of this social substance, they are value. The value of the commodities is determined by the socially necessary labour time, which is required to produce the same article under the normal conditions of production.

The relationship between exchange value, value and the two fold characteristics of labour gives important clues about how Marx understands the relationship between form and content. He states that “exchange value is the only form in which the value of commodities can manifest itself or to be expressed” (Marx, 1967: 38). However, it is necessary to note that it is not a mere epiphenomenal form of the value. First of all, unlike use-value, exchange value is clearly a historical category (Sayer, 1979: 14). Secondly, this specific historical form is a constitutive part of the special content, of which it is the mode of existence, for as Marx argues,

the value of a commodity has purely a social reality, and that they acquire this reality only in so far as they are expressions or embodiments of one identical social substance, viz., human labour that value can only manifest itself in the social relation of commodity to commodity (1967: 60).

Exchange value is the independent form of value and commodity manifests itself as use-value and value as soon as it assumes that independent form: exchange value (1967: 60). In that sense, as Holloway states that the content is at the submission of its form and that it exists in an antagonistic relationship with this form (Holloway, 2003: 57).

Marx continues his analysis from elementary or accidental form of value, which is the value relation between two commodities (linen and cotton in Marx's example) to total or expanded form of value within which the value of a single commodity is expressed in terms of numberless other elements of the world of commodities (1967: 62). But this does not provide us with a necessary key, which will open the door of the secret world of commodities in which the value of the commodity is neither accidental nor relative. Finally, Marx analyses the general form of value in which "The particular commodity, with whose bodily form the equivalent form is thus socially identified, now becomes the money commodity, or serve as money" (1967: 69). By means of this general form, single commodity is converted into universal equivalent. He argues that "by this form, commodities are, for the first time, effectively brought in to relation with one another as values, or made to appear as exchange-values" (Marx, 1967: 66). Hence the genesis of the money lies in the contradictions of the value-form itself.

As mentioned earlier, with reference to the work of Blanke, Jurgens and Kastendiek, Marx's analysis of value form found its repercussions among the form analysts later on. However to make clearer how forms analysts follow the concept formation in the *Capital*, it is necessary to elaborate the specific usage of these concepts by Marx. To begin with, Marx's abstractions and categories are nothing other than the one-sided abstractions of actual social relations that are transitory and historical (Sayer, 1991: 59). Moreover, these concepts are abstractions, which refer to *a process*. For instance value gets metamorphosed

into commodity, money, capital, wages, profit, rent and interest. In that sense, metamorphosis is,

...an organic movement of interaction within a system in which qualities (occasionally appearances but usually functions) of one part get transformed to other parts so that the latter can be referred to as forms of the former...a process is abstracted that is large enough to include both what is changing, what it is changing into, making the transformation of one into the other an internal movement (Ollman, 1993: 49).

Secondly, for Marx, the critique of the value form refers not only to the critique of bourgeois social relations but also to the critique of bourgeois political economy. The category of form paves the ground for being *critical* about social relations of production. According to Marx,

Even its best representatives, Adam Smith and Ricardo, treat the form of value as something external to the nature of the commodity itself. The explanation for this is not simply that their attention is entirely absorbed by the analysis of the magnitude of value. It lies deeper. The value-form of the product of labour is not only the most abstract, but also the most universal form taken by the product in bourgeois production; by the fact that stamps that bourgeois mode of production as a particular kind of social production of a historical and transitory character. If then we make the mistake of treating it as the eternal natural form of social production, we necessarily overlook the specificity of the value-form, and consequently of the commodity-form together with its further developments the money form, the capital, etc (quoted from Marx by Clarke, 1991a: 103).

The analysis of the value form reflects the historically specific character of the bourgeois social relations of production. Value form, here, is not only a concept, which designates historical process, but it is also a concept made possible by the historical process itself. This point is of critical importance to denote the interrelated character of the logical and the historical. For Marx, the products of labour can only become a commodity at a definite historical epoch in a society's development. Hence, his method is essentially historical method (Holloway,

1991: 234). However, Marx's analysis is more than simply adding a historical dimension to classical political economy (Clarke, 1991a) and his labour theory of value is more than making a distinction between labour and labour power, which was confused by Ricardo²¹. In fact, Marx's theory is an explanation of value as the alienated form of appearance of social labour. As Clarke argues "the task of the critique of political economy is to go beyond the analytical moment of the classics in order to show how it is that in a particular kind of society labour appears in the alienated form of value" (Clarke, 1991a: 99). This point illuminates how Marx decodes the world of commodities in which "the mutual relations between producers, within which the social character of their labour affirm itself, take the form of a social relation between products." (Marx, 1967: 42). In *Capital* he states that:

as a general rule articles of utility become commodities, only because they are the products of the labour of private individuals or groups of individuals who carry on their work independently of each other. The sum total of the labour of all these private individuals forms the aggregate labour of society. Since the producers do not come into social contact with each other until they exchange their products, the specific social character of each producer's labour does not show itself except in the act of exchange. In other words, the labour of the individual asserts itself as a part of the labour of society, only by means of the relations which the act of exchange establishes directly between the products, and indirectly, through them,

²¹ In, *On the Principles of Political Economy and Taxation*, Ricardo says that, "the value of a commodity, or the quantity of and other commodity for which it will exchange, depends on the relative quantity of labour which is necessary for its production and not greater or less compensation which is paid for that labour" (Ricardo: 1962: 5). In that sense, the theoretical roots of the labour theory of value can be found in classical political economists like Petty, Smith and Ricardo. Dobb argues that Ricardo developed "integrated theory of value, of profits and of rents; its aspects and elements having something of the neatness and precision of a mathematical precision." (Dobb, 1973: 66-67). For many authors Ricardo is the only economist to whom Marx treated as a master (Schumpeter, 1974; Dobb, 1973). Schumpeter states that "Marx used the Ricardian apparatus: he adapted Ricardo's conceptual lay-out and his problems presented themselves to him in the forms that Ricardo had given to them. No doubt, he transformed these forms and he arrived in the end at widely different conclusions. But he always did so by starting from, and criticizing, Ricardo. Criticism of Ricardo was his method in his purely theoretical work" (quoted from Schumpeter by Dobb, 1973: 143). For a critical evaluation of these ideas see Clarke (1991a).

between the producers. To the latter, therefore, the relations connecting the labour of one individual with that of the rest appear, not as direct social relations between individuals at work, but as what they really are, material relations between persons and *social relations between things* (Marx: 1947 43-44, emphasis is mine).

It is possible to observe the influence of this analysis of commodity fetishism on form analysts. In their attempt to make a materialist theory of the state, form analysts formulate the same question of what is peculiar about the social relations of capitalism that give rise to the fetishization of social relations in the form of the state (Holloway, 1994: 28). In the next part, I will show how this analysis of fetishization has served as a point of departure for form analysts.

3.3. Form Analysis and Poulantzas' Late Studies: Potentials for Convergence

Form analysis is based on an influential attempt to dissolve state and market as a category, to understand “the state not as a thing in itself but as a social form, a form of social relations” (Holloway, 1994: 27). Though, according to Burnham, some other critical analyses offered an alternative approach by directing attention to the interactions, or interdependencies between the state and the market and though their importance should be recognized, they still preserved and took for granted the separation of these two spheres. Rather than focusing on the endless tautological account of “interdependencies”, “interactions”, “influences” between state and market, form analysis takes at the centre of its analysis Marx’s famous concept of fetishism: Why do definite social relations between things assume in capitalism the fantastic form of relations between things (Bonefeld, et al, 1995: 22; Burnham, 1994). Hence to grasp the organic set of social relations,

which lies behind the separation of state and market, form analysis tries to understand what is about the relations of production in capitalist society (unlike other societies), which makes them present in this way (Holloway and Picciotto, 1991: 111). Or, to put it differently, what is about the social relations of production under capitalism that leads to the creation of apparently separate economic and political forms? (Burnham, 1994: 228). It is in order to answer these questions and to conceptualise the complexity of the relation between the economic and the political, and their interconnectedness as a complementary forms of the fundamental class relations, that form analysis focuses on the genesis and inter-connectedness of forms (Bonefeld et al, 1995: 11; Holloway and Picciotto, 1991: 233).

Form analysis takes its roots from the German state derivation debate, which attempted to derive state as a political form from the social relations of production (Holloway and Picciotto, 1978: 2). Those authors who participated in the debate, focused on the relation between the economic and political, as a discrete form of capitalist social relations. The limits of the state intervention, the problem of the relation between form and function of the state, the relation between historical and logical analysis, the role of the state in the reproduction of capital as a whole and the link between state the and contradictions of capital constituted the basic themes of the discussions (Holloway and Picciotto, 1978: 19). But the core of the debate was around the issue of whether the state should be derived from the essence of capitalist social relations as a form of class

domination or whether it should be derived from the superficial forms of those relations (Clarke, 1991: 51)

To a certain extent, German debate was a reaction vis-à-vis the dominant paradigms of the Marxist state theory of the 1970's. It is a well known fact that Poulantzas and Miliband were the most important figures of state theory not only among Marxists but also in the academic circles in general. The famous debate between these figures drew the general line of discussion. The main axes of their famous debate were the relative autonomy of the state, the roots of the capitalist nature of the state and state form. According to Holloway and Picciotto, who made familiar the Anglo-Saxon world with the German Debate by the translation of their main articles in *State and Capital*, the polarity between Poulantzas and Miliband, which corresponded to the polarity between structuralism and instrumentalism, was indeed a false dichotomy in the sense that for both of them, "Capital is primarily (although not exclusively) an analyses of the 'economic level' and the concepts developed there (value, surplus value, accumulation etc.) are concepts specific to the analyses of that level" (Holloway and Picciotto, 1978: 3-4). Against this kind of reading *Capital* as an economic text, German Debate re-read capital as an analysis of the totality of capitalist social relations to make explicit the position occupied by the state in the capitalist mode of production (Borrow, 2000: 93-100). As Holloway and Picciotto put it, *Capital* was

....not an analysis of the 'economic level' but a materialist critique of political economy, i.e. a materialist critique of bourgeois attempts to analyse the 'economy' in isolation from the class relations of exploitation on which it is based; consequently categories elaborated in *Capital* (surplus value, accumulation, etc.) are seen not as being specific to the analysis of 'economic level' but as historical materialist categories developed to

illuminate the structure of class conflict in capitalist society and forms and conceptions (economic or otherwise) generated by that structure” (Holloway and Picciotto, 1978: 4).

By taking its source of inspiration from a revival of interest in *Capital* in the 1960's, German State Derivation Debate focused on the unity between the political and economic spheres so as to understand the relation between the two (Holloway, 1991). To elaborate a materialist critique of the state form they were in pursuit of the way in which Marx gave the critique of the value form, money form and classical political economy. This was, for them, the only way to understand how class domination in capitalist society takes this historically determined fantastic form. Pashukanis formulated this essential problem in the following way:

why does the dominance of a class not continue to be that which it is—that is to say, the subordination in fact of one part of the population to another part? Why does it take on the form of official state domination? Or, which is the same thing, why is not the mechanism of state constrained created as the private mechanism of the dominant class? Why is it dissociated from the dominant class-taking the form of an impersonal mechanism of public authority isolated from society? (quoted from Pashukanis by Holloway and Picciotto, 1978: 19).

In an attempt to give an answer to this question, one of the most important contributors of the debate, Joachim Hirsch argued that, to define the bourgeois state as the expression of a historically specific form of class rule, the methodological point of departure should be the analysis of the basic structure of capitalist society and the laws of reproduction of the whole social formation. Thus, he stated,

...the state as it exist today is an historical product, and historically determined form of the organization of domination, which, being historical, has its foundation in the manner of social production and reproduction which characterises the bourgeois relation of production and in the resulting class relation (Hirsch, 1978: 57).

Therefore, the general necessity of the functions of the state should be derived from the determination of the form of the bourgeois state.²² This point implies the limits of the state activity: the bourgeois state can maintain its form as far as it secures the capitalist reproduction process (Hirsch, 1978: 66). Furthermore, “the state as a force separated from bourgeois society is functionally in a position to guarantee the general and external conditions of production, which can not be created by private capitals...” (Hirsch, 1978:66).

Meanwhile other contributors of the debate, Blanke, Jürgens and Kastendiek discussed the same issue from a different angle by focusing on the relation between the state and exchange relation. They derived the separation of the state from the economy, from the dual character of the exchange of commodities (an exchange relation between things, a relationship of ownership between the subjects of exchange and their commodities, which requires a legal system to codify and enforce property rights) (Clarke, 1991: 11).

²² Jessop in his book, *State Theory: Putting the Capitalist State in its Place* State is sensitive to consider the state as a “form-determined social relation (Jessop, 1990: 206). Jessop points out to three important facets of the state-as-form, namely form of representation, form of intervention and form of articulation (1990: 207).

Open Marxist perspective, which rejects all forms of determinism and reasserts the centrality of class struggle, benefited much from these insights. For an Open Marxist perspective openness refers not just to a empirical research but to the openness of the Marxist categories themselves (Bonefeld et al., 1992). The notion of form is also central to this approach which argues that “...form can be understood as mode of existence, something or other exist only in and through the form(s) it takes” (Bonefeld et al., 1992: xx). By following Marx’s analysis of commodity fetishism, Open Marxism attempts to refute all forms of fetishism (Burnham, 1994: 225-226).

In what way can the works of Poulantzas could complement form analysis introduced by German State derivation debate and elaborated by Open Marxists, and enable us to develop a non-dualistic understanding of state and market? Even though Poulantzas is criticized by the above-mentioned authors because of his early structuralist works, it is interesting to see that he also emphasizes the internal relation between state/economy, state/class relation though he does this in a different way. In *Capitalism, Socialism and Democracy*, Schumpeter states that the special synthesis of the Marxism lies in his attempt to combine political facts and economic theorems. He calls this wedding as grand wedding of politics and economy, “but they are wedded by force and neither of them can breathe” (Schumpeter, 1974: 46). In that sense it can be said that Poulantzas’ work has a special role in this marriage, because he tries to prevent this marriage from turning into an “unhappy family”, by giving a theoretical struggle so that politics is not absorbed by the economy. To make sure that politics becomes happy in this marriage, in his early studies, Poulantzas locates his position against both economism, which reduces politics to the economy; and historicism, which over-politicises every level. The latter identifies politics with the history and politicises various levels of structures and of social practices whose own specificity, relative

autonomy and effectiveness is reduced to their dynamic, historical and political aspect; while the former reduces the superstructure to a mere ‘epiphenomenon’ of the base, and gives the dominant role to the forces of production, which are themselves conceptualised from an economist-technicist understanding. This criticism and theoretical war of position against both historicism and economism in the early works of Poulantzas illustrates how he abides by the reasoning of Louis Althusser (Poulantzas, 1976a).²³ However, in his later works, which are also the main focus of analysis in this thesis, Poulantzas would shift from a structuralist methodology developed by Althusser to a relational one and conceptualise the state as a form of the relation between classes²⁴.

In *Political Power and Social Classes*, by using Althusser’s distinction between social formation and mode of production²⁵, Poulantzas attempts to explain the general function of the state and introduces concepts like relative autonomy²⁶, power bloc²⁷ etc. For Poulantzas the state has the function of constituting the

²³ For a more detailed analysis of the comparison between the early and late works of Poulantzas, on the basis of methodological differences see Yılmaz (2003).

²⁴ For a complicated analysis of Poulantzas’ theory of state see Jessop (1985), Carnoy (1984).

²⁵ Wood attacks the distinction between a pure theoretical mode of production and a concrete social formation. She states that “Althusserianism had simply replaced –or supplemented– the old false alternatives with new ones. Marxist had been offered a choice between structure and history, absolute determinism and irreducible contingency, pure theory and unalloyed empiricism. It is not surprising, then, that, the purest theoretician of the Althusserian School became the most unalloyed empiricist of the post-Althusserian generation.” (Wood, 1995: 51) This dualism opened the way for one the one hand absolute empiricism and absolute theoreticism. Moreover, As Comminel concludes “The inherent logical flaw of the articulations of modes of production framework is a function of its a historical nature: modes of production can be elaborated in all their structuralist particulars, but no *process* exist to link and bridge them. Locating the modes of production historically detailed social formations, complete with complex ‘articulations’, in no way addresses what leads from one mode of production to the next” (quoted from Comminel, by Lacher, 2000: 51). Also, Lacher emphasizes that the abstraction of mode of production always remains abstract; “they apply taxonomies derived from structural theory to empirical reality, but can not absorb this reality” (Lacher, 2000: 20). For a detailed critique of Poulantzas’ analysis of state see Clarke (1991c) and Laclau (1979).

²⁶ He mentions Marx’s sentence that “Bonapartism is the religion of all bourgeoisie.” For him Bonapartism is the political form of modern class struggle in general, which means autonomy cannot be explained according to the mode of an equilibrium of social forces or autonomization of non-corresponding structures in a transitory phase (Poulantzas, 1976a: 259-272).

²⁷ Poulantzas criticizes severely the idea that there is one homogenous dominant class. He argues that there is always a co-existence of the political domination of several classes and fractions of

factor of cohesion between the levels of a social formation. Although there are different modalities of the function of state (economic, ideological and political), the cohesion of social formation is its global function. He concentrates on the “formulation of the state as the organization for maintaining both the conditions of production and the conditions for the existence and functioning both of the unity of a mode of production and of a formation” (Poulantzas, 1976a: 50). It is because of this specific feature that the state is *par excellence* the place where contradictions are condensed. If the political practice is the nodal point of contradictions, then, the political superstructure, which is defined by the state, should be an object of struggle. This global function of the state is ascribed to it by its place in the mode of production.

While in his first study Poulantzas swallows the hook, line and sinker of Althusser without questioning, in his later works he begins to shift from this structuralist perspective towards a relational understanding of state, though he can not totally give up some tenets of the structuralist methodology. Yet, a close analysis of his later works enable one to derive the conclusion that he manages to overcome the shortcomings of a structuralist methodology to a certain extent. These works where once can observe the traces of a relational understanding of

classes due to the co-existence of overlapping of many modes of production. There is no homogenous, mystified one bourgeoisie. Rather its fractioned structure is always pre-given. Bourgeoisie always stands as bourgeoisies, as finance capital, industrial capital, etc. This plurality of dominant classes and fractions leads Poulantzas to assert that class domination in capitalism takes a special form: the Power Bloc. And it is the state which, by the interplay of its institutions, makes power bloc possible (Poulantzas, 1976a: 230). Poulantzas elaborates this argument by arguing that “The capitalist state and the specific characteristic of the class struggle in a capitalist formation make it possible for a ‘power bloc’, composed of several *politically dominant* classes or fractions to function. Amongst these dominant classes and fractions one of them holds a particular dominant role, which can be characterised as a hegemonic role” (Poulantzas, 1976a: 141).

the state, begin with *Classes in Contemporary Capitalism* and *Crisis of Dictatorships*, and find their peak point in *State, Power and Socialism*.

The basic argument of the *Crisis of Dictatorships* is that the rise of a domestic bourgeoisie gave way to changes in the power bloc of and played an important role in the transition to democracy in Greece, Portugal and Spain. In the book, Poulantzas puts into question the state structure of these military dictatorships. He states that

military dictatorships are not monolithic bloc: the various apparatuses and branches of these regimes certainly allow different component of the power bloc to be present within the state, reflecting the contradictions between them as internal contradictions of regime, and particularly of its dominant apparatus, the armed force (Poulantzas, 1976b: 49).

In fact, *Crisis of Dictatorships* is also based on a different conceptualisation of the relationship between state and social classes. Poulantzas strongly criticizes those perspectives which consider the relationship between state and society as an externality and those which treat the state either as a subject or as an object, as can be observed from the following words:

Considered as a subject, we are back at the old Hegelian conception of the state that really is 'separate' from 'civil society, endowed with an intrinsic rationality as the embodiment of the general will in the face of atomized individuals....Viewed as a thing, we have the 'instrumentalist' conception also present within Marxism; the state is considered as by its nature a mere instrument, a machine, that can be manipulated at will by the dominant classes, and whose relationship of representation with their class interest is supposedly due to their 'grip' on this inert instrument" (Poulantzas, 1976b: 81).

These two positions, according to Poulantzas, have important political repercussions. State and class are considered two separate entities confronting

with each other and "...classes are seen as acting on the state only from outside by the play of 'influences', each of them taking hold of a piece of the state, or the state as a whole" (Poulantzas, 1976b: 81). For Poulantzas, the state is neither a homogenous entity, which enters into the relation with classes or civil society, and stays outside of them, nor is it a neutral arena, which can be filled by dominant classes or dominated classes. He rejects any understanding of state and class as externally related entities and puts his theoretical effort to develop a relational perspective. The following quotation, worth mentioning, illustrates that attempt:

But this precisely makes impossible to grasp the internal contradictions of the state itself. In no case, in fact, is the state a subject or a thing; it is always by nature a relation, just as 'capital' as: to be more precise, the condensation of the balances of forces between the classes that is expressed in a specific manner within the state. Just as 'capital' already contains in itself the contradiction between capital and wage-labour, so class contradictions always cut right through the state, because state reproduces these class contradictions within itself by its very nature as a class state. This means in fact that class contradictions are always expressed, in a specific way, as internal contradictions within the state, which never is and can never be a monolithic bloc devoid of fissures. There is certainly always a unity of state power related to the state's representation on the interests of the hegemonic class or fraction, and this is the reason why the popular classes can never occupy the state apparatus bit by bit, but have to smash it in the transition to socialism; but this should not give rise to the idea of the state as a bloc devoid of fissures" (Poulantzas, 1976b: 82).

These sentences reveal how Poulantzas does not consider the state as a thing, which is dominated or dominates, but he conceptualises it as a relation or more overtly a by-product of the power relation, which means that the state is constituted in and by class conflicts. He also points out to the fact that this relation that characterizes state power pervades the structure of its own apparatuses. In that sense, internal contradictions find their expression within the

state structure. As illustrated by the examples of Greece, Portugal and Spain, the internal contradictions of the regimes may be reflected in their military apparatuses.

After having rejected the simplistic class utilization of the state and an external relation between state and class by shedding light upon the class nature of the state, in *State, Power and Socialism*, Poulantzas goes one step further in his analysis of the relational understanding of the state. The state, now, becomes an arena of class struggle, a strategic field, in the formulation of Poulantzas:

In locating the state as the material condensation of a relationship of forces, we must also grasp it as *a strategic field and process* of intersecting power networks, which both articulate and exhibit mutual contradictions and displacements. There result shifting and contradictory tactics, whose general objective or institutional crystallization takes shape in the state apparatuses. This strategic field is traversed by tactics, which are often highly explicit at the restricted level of their inscription in the State: they intersect and conflict with one another, finding their targets in some apparatuses or being short circuited by others, and eventually map out that general line of force, the State's 'policy', which traverses confrontations within the State (Poulantzas, 1978: 136).

Even though state derivation debate emerged as a reaction to the studies of both Poulantzas and Miliband, it is not possible to underestimate the strong convergence between Poulantzas' late works and the analyses developed within the state derivation debate. While Poulantzas' late studies are much more sensitive to conceptualize state and class as not externally related, the state derivation debate attempts to show how politics and economics are interrelated even though they might seem as separate spheres. This convergence can be observed in different areas: First of all, both Poulantzas' late works and the studies of form analysts reject the simple base and superstructure metaphor used

by the common orthodox view to understand social reality. Rather than focusing on the endless tautological account of “interdependencies”, “interactions”, “influences” between politics and economics, both refer to an organic whole, of which politics and economic are different but internally related aspects. Therefore, they argue that the relationship between the economic and the political cannot be understood as a relation where one of them dominates the other. Secondly, both works undermine the approaches which consider state/market, politics/economics, state/class as separately existing couples. A third point of convergence resides in common understanding of the state as a form of social relation, and hence, not as a monolithic bloc. The argument that politics is present at the very constitution of the relations of production constitutes a final common ground between Poulantzas and form analysts, a point which will be discussed later.

3.4. Deriving Insights From Form Analysis and Poulantzas for a Non-Dualistic Approach to State and Market

Form analysis attempts to locate the state in the production relations of capitalism, because it aims to understand the development of the state as part of the development of the capitalist mode of production (Holloway, 1991: 231). Therefore, it is crucial for these theoreticians, to reveal the substantial relation between state and capital, state and economy. As already mentioned, form analysts underline the organic relation between state and economy, where they are neither externally related, nor determining each other, but are forms of social

relations of production (Bonefeld, 1992: 100). In this attempt, they criticize both the simplistic base and superstructure model which tries to capture how the economy determines the state and the Althusserian structuralist scheme based on instances and levels of structures, to explain the complex relation between politics and economy. According to the form analysts, these two ways of reasoning do not only fail to grasp the totality of the social relations of production but also take for granted the historically conditioned particularisation of the generality of capitalist relations into economic and political forms without questioning (Holloway and Picciotto: 1978: 14).

According to the form analysis, rather than accepting the separation between the economic and the political first and then analysing the relation between these two spheres, one should begin with the totality of the capitalist relations of production, so as to explain the separate existence of these spheres and the relation between the forms of state and specific modes of production and its conditions.²⁸ Moreover, it is highly mistaken to equate the capitalist mode of production and social relations of production with the economy, which is only one phenomenal form of those relations of production (Sayer, 2001). Instead, “the social relations of productions are not simply ‘economic’ but equally involve ‘political’, ‘juridical’ and ‘ideological’ assumptions as part of their very constitution” (Barker, 1997). As Wood emphasizes “the ‘base’-the process and relations of production-is not just ‘economic’ but also entail, and is embodied in,

²⁸ It should be noted that analysis of concrete form of bourgeois state and its changing forms can be made as long as one relates the changing forms of accumulation with the changing forms of state and with the political class struggle (Clarke, 1992: 133; Hirsch, 1978: 66).

juridical-political and ideological forms and relations that can not be relegated to a spatially superstructure” (Wood, 1995: 61). Therefore the materialist theory should not attempt to understand in what way the “economic base” determines the “political superstructure” but to understand what is about the relations of production under capitalism that makes them assume separate economic and political forms (Holloway and Picciotto, 1991: 112). That is why form analysis dissolves the categories of state and economy to understand them not as a thing-in-itself but as a social form, that is a form of social relations:

As Simon Clarke (1978, p.42) clarifies, it is the concept of the class relation as being prior to the political, economic and ideological forms taken by those relations (even though class relations have no existence independently of those forms) that makes it possible for a Marxist analysis to conceptualise the complexity of the relation between the economic and the political, and their inner connections as complementary forms of the fundamental class relations, without abandoning the theory for a pragmatic pluralism (Bonefeld, Brown and Burnham, 1995: 11).

This is in fact the same way that Poulantzas approaches the separation of the political and economic in *State, Power, and Socialism*, even though he does not use the same terminology. He argues that the political field of the state has always, in a different form, been present in the constitution and reproduction of the relations of production. Furthermore, he re-considers the relative separation of the state and economy in this book. For Poulantzas, this separation, which is the peculiar feature of capitalism, is nothing other than the capitalist forms of the presence of the political in the constitution and reproduction of the relations of production (Poulantzas, 1978: 17). This point also leads Poulantzas to re-evaluate the relation between the ideological, the economic and the political by arguing that ideological and political relations are not the so-called conditions of

production, but they are themselves present in the constitution of the relations of production.

But the crucial question remains why and how politics and economics take different forms, which are related but separately existing. Turning to Marx's original texts, as form analysts do, could be helpful in that sense. To understand the presence of the political in the constitution of the economic and the substantial relation between the state and the market, it is indeed of utmost importance to pay attention to *Capital's* emphasis on the distinguishing feature of the each social formation, which is the innermost secret, the hidden basis of entire social edifice for Marx. In *Capital* Vol III, Marx argues that,

the specific economic form in which unpaid surplus labour is pumped out of the direct producers determines the relationship of domination and servitude, as things grows directly out of production itself and reacts back on it in turn as a determinant. On this is based the entire configuration of the economic community arising from the actual relations of production, and hence also its specific political form. It is in each case the direct relationship of the owners of the conditions of production to the immediate producers...in which we find the innermost secret the hidden basis of the entire social edifice, and hence also the political form of the relationship of sovereignty and dependence, in short the specific form of state in each case" (quoted from Marx, 1981:927 by Burnham 1995: 97)

Here the crucial distinction of capitalism lies in the specific form by which surplus labour is pumped out. In fact, workers are not forced to produce surplus labour by direct physical force, but, as Marx states,

For the conversion of his money into capital...the owner of money must meet in the market with the free labourer, free in the double sense, that as free man he can dispose of his labour-power as his own commodity, and on the other hand he has no other commodity for sale, is short of everything necessary for the realisation of his labour-power (quoted from *Capital* (1695: 169) by Holloway and Picciotto, 1991: 113).

For Holloway and Picciotto what makes possible and necessary the separation of the state from civil society is the very necessity of ‘freedom’ of labour’ (Clarke: 1991b). Historically the establishment of capitalism needed the abolition of all barriers, which stood in the way of the direct relations of force between the owners of the means of production and of private relations of dependence and restraints (feudalism) in the sphere of commodity circulation (Hirsch: 1978). The manner in which the social form is established, social labour is distributed and the surplus product is appropriated, necessarily required that direct producers be deprived of control over the physical means of force and that the latter be socialized in a social instance raised above the economic reproduction process: the creation of formal bourgeois freedom and equality and the establishment of state monopoly of force (Hirsch, 1978: 61). This process of centralization of force and its abstraction from the concrete relations of production goes hand in hand with “depoliticising” of civil society, which is itself political (Bonefeld et al., 1995: 36; Hirsch, 1978: 62). This is also what distinguishes the bourgeois state from all previous forms of the exercise of power and domination and characterises its specific historical form (Hirsch, 1978).

The substantial relation between state and market can be better elaborated if one considers how the state imposes the rule of the “Freedom, Equality, Property and Bentham²⁹”, by safeguarding the rights of the property and codifying the norms, which is indispensable for the functioning of commodity and monetary relations (the legal protection of private property, commercial laws, minting coins, the issue of bank notes). As Bonefeld asserts, “the form of the state which attains

²⁹ In *Capital* while discussing exchange, Marx says that “this sphere that we are deserting, within whose boundaries the sale and purchase of labour-power goes on, is in fact a very Eden of innate rights of man. There alone rule Freedom, Equality, Property and Bentham. Freedom, because both buyer and seller of a commodity, say of labour power, are constrained by only their free will. Equality, because enters into relation with the other, as with a simple owner of commodities, and

generality in terms of the harmonies of formal equality and formal freedom as political domination, is hence posited as political organiser of the ‘republic of market’” (Bonefeld, 1992: 6). ‘Freedom and Equality’ in the market place is not an illusion. As Blanke, Jürgens and Kastendiek discuss, freedom and equality are not only as “categories related exclusively to material relations of the law of value”, but they also “constitute determined characteristic on the side of the acting subject”. As a subject of exchange, the legal subject of the market place is a necessary category, which is made possible by the state. As Blanke et al., put it,

Corresponding to the structure of exchange as the comparative commensuration unequal product of labour (use value) according to an abstract measure (quantity of gold representing labour time), the exchanging parties relate to each other as different beings with different needs- all of which necessitates the formation on this plane of action of an abstract point of reference making this commensuration possible. This point of reference is man as the subject of exchange (Blanke et al., 1978: 122-123).

Apart from providing the legal framework for the subject of exchange and establishing the property rights, state action also participates to the constitution of the economy by other ways. Bonefeld et al. identifies two central areas where state action is present in the constitution of the economy: State management of labour power which is crucial to achieve work discipline through insecurity of employment and inducement of working disciplines, and state’s management of money that is necessary for the creation of monetary space (Bonefeld et al, 1995: 11).

Though coming from a more institutionalist tradition, Block also provides with important insights about how the state plays a prominent role in shaping economic activity: “governing the control over productive assets, establishing the

they exchange equivalent for equivalent. Property because each disposes only of what is his own. And Bentham, because each looks only to himself” (Marx, 1947: 155)

nature of the obligations and responsibilities in recurring relationship, providing for means of payment³⁰, and managing the boundary between its territory and the rest of the world” (Block, 1994: 699).³¹ At that point, rather than treating state action as external to the constitution of the economy, and focusing on the quantitative variation in the degree of state action, one should concentrate on the qualitative differences in state activity, which is present at the very constitution of the economy (Block, 1994: 696). In fact, state intervention should not be considered as external to the economy, instead, one should analyse state intervention as taking different forms, as an internal part of the constitution of economy, without ignoring that these forms of intervention and the specific policies implemented the state are mediated by class struggle and the historically developed form of the state (Clarke, 1991b).

A final remark should be made with regards to the fact the separation of state and market or state and economy should not be taken for granted. The forms of the separation between the political and economic and the borders between these two spheres cannot be seen as fixed characteristics of capitalism (Clarke, 1991b). As Holloway and Picciotto put it, the separation between state and economy is both “reality and illusion, the reality depending ultimately on the successful struggle of

³⁰ While discussing the emergence of paper money as a symbol of values in *Capital*, Marx states that “Being a transient and objective reflex of the prices of commodities, it [silver and gold] serves only as a symbol of itself, and therefore being replaced by a token. One thing is however, requisite; this token must have an objective social validity of its own, and this the paper symbol acquires by its forced currency. This compulsory action of the State can take effect only within that inner sphere of circulation, which is co-terminous with the territories of the community (Marx, 1947: 105).

³¹ Block names the perspective, which does not see state action as external to the constitution of economy, as New Paradigm, which recognizes that economic activity will always involve some combination of state action. It should also be noted that there are also many authors, who study the relationship between state and market from the discipline of economic sociology. For instance, Randles argues, “the way(s) the State is constituted and operates influences the instituted construction of *all* markets. It also a constituent determinant of *variety* across differently instituted markets. Indeed, the State plays a pivotal role in the first instance in determining whether exchange should take a market, or alternatively, a non-market form” (Sally, 2001: 23).

the ruling class to maintain the complex of social relations on which the illusion rests” (Holloway and Picciotto, 1991: 115).

The political implications of this argument open the way for a critical standing vis-à-vis this separation, which shed light not only on the material bases but also the ideological importance of this separation, which is both object and result of class struggle (Clarke, 1991b). As Holloway and Picciotto discuss, “the very separation of economics and politics, the very autonomisation of the state from is part of the struggle of the ruling class to maintain its domination.” (Holloway and Picciotto, 1991: 115). So, the merit of the form analysis lies in its rejecting the institutional fallacy, in which state and economy are seen clearly as externally related and in its focusing on the unity of these two spheres, to understand their separate existence. Form analysis criticizes the way in which these fetishized categories are taken for granted and illuminates what kind of social relations lies behind these fetishized forms. Also, it does not neglect that these forms are produced and reproduced in and through struggles, which means that they are not eternal and self-reproducing categories. As Bonefeld et al., argue, “it is incumbent on ourselves to act within, and through and against, the form(s) under which we live” (Bonefeld, Gunn and Psychopedis, 1992: xvii).

3.5. Concluding Remarks:

This chapter was attempted to delineate the way in which the state lies at the very constitution of the market, by deriving insights from form analysts and late Poulantzas, both of whom, I argued, take state and market and state and classes as internally related. In their alternative, non-dualistic understanding, state is neither an object, a simple instrument of classes or a subject, which stands above the contradictions of society, but rather it is understood as a specific form of class relations. Rather than focusing on the endless tautological account of “interdependencies”, “interactions”, “influences” between state and market, which are proposed as alternatives by different approaches, form analysis departs from the internal relation between state and market and endorses the idea that state and market do not exist as externally related entities, one of which determining or dominating the other (Bonefeld, 1992: 100; Burnham, 1994: 228). Rather, to reveal the substantial relation between state and market, form analysis conceptualizes the state and market as forms of the relations, which constitute them, as forms of the social relations of production. As a sign of this substantial relation where state action is present at the very constitution of the market, the state not only imposes “Freedom, Equality Property, and Bentham” by safeguarding the rights of property and codifying norms, but also it manages labour power and money (Bonefeld, et al, 1995). I also discussed how state intervention, which is not external to the economy takes different forms, is mediated by class struggle and the historically developed form of state (Clarke, 1991b). Lastly, I highlighted that the separation between state and market, far

from being taken for granted by form analysts, is theorized as both object and result of class struggle.

CHAPTER IV

TOWARDS A NON-DUALISTIC CONCEPTUALIZATION OF STATE AND MARKET IN THE ERA OF GLOBALIZATION: A CRITIQUE OF MARKET FORCES-CENTRIC AND STATE-CENTRIC ARGUMENTS

4.1. Introduction:

The notion of globalization and the future of the nation state have been highly contested issues in social sciences since the end of the Keynesian era. The debate about globalization and its political, economic and social effects attract different scholars from very different disciplines so that it turned into a genuinely interdisciplinary discussion. This debate introduced new adjectives into the vocabulary of social sciences like “hyper-globalists”, “transformationalists”, “institutional adaptationists”. Also, it made us familiar with certain adjectives, which are either used to decipher the changes in the situation of the nation state like “diminishing”, “decreasing”, “withering away”, “hollowed-out”, and adjectives or to define a new state form like “Schumpeterian”, “competitive”, “catalytic”. The proliferation of all these new concepts indicate the existence of an ongoing and open-ended debate among the various definitions of

globalization: On the one hand globalization is equated with the intensification of global economic transactions, the rise of the finance capital, global financial markets, and transnational social relations; on the other hand it is supposed to be a neo-liberal hegemonic project, a discourse, hence a much more political project³². In that sense, it can be argued that “the word globalization is itself a non-concept in most uses” (Marcuse, 2000:1). As Marcuse argues

the issue is more than one of careless use of words: intellectually, such muddled use of the term fogs any effort to separate cause from effect, to analyze what is being done, by whom, to whom, for what, and with what effect. Politically, leaving the term vague and ghostly permits its conversion to something with a life of its own, making it a force, fetishizing it as something that has as an existence independent of the will of human beings, inevitable and irresistible (Marcuse, 2000: 1).

In that chapter, I attempt to analyse two competing arguments about the recent changes in state form and the effect of globalization in that process, with a special emphasis on how these arguments establish the relationship between state and market theoretically. Hence, I discuss to what extent these arguments by-pass or reproduce the state and market duality while analysing the recent changes in question. Around this basic problem, I firstly focus on those arguments, which

³² Held and McGrew show the competing conceptualizations of globalization very well: They define it as “...time space compression(referring to the way in which instantaneous electronic communication erodes the constraints of distance and time on social organization and interaction); accelerating interdependence (understood as the intensification of enmeshment among national economies and societies such that events in one country impact directly on others), and among other concepts, global integration, the reordering of interregional power relations, consciousness of the global condition and the inter-regional interconnectedness” (Held and McGrew, 2000: 3). Moreover, Panitch gives a sketch of the important aspects of critical positions’ definition of globalization. This refers to (i) the spatial extension of capitalism directly associated with the collapse of USSR; (ii) the ideological and cultural sweep of capitalist ideas and values that define our neo-liberal era; (iii) the process of international class formation, especially transnational integration among the capitalist classes; (iv) the new stage of capital accumulation on a world scale; (v) the internationalization of state, which must be understood not in terms of transnational capital escaping the nation-state, but rather in terms of states becoming more and more attuned to fostering and/or accommodating to capital accumulation on a world scale (Panitch, 1998: 12-13). Also, for competing conceptions of globalization see Sklair (1999). She differentiates four mainstream perspectives on globalization: the world-system approach, the global culture approach, the global society approach, and the global capitalism approach.

depart from the rise of market-based forces to explain the reconfiguration of the state structure after the 1970s. The main premises of these market-based arguments are that (i) the power centre shifts from the states, which insulated the national economy from the destructive effects of world economy in Keynesian era, to the global markets; (ii) this transformation is made possible by the transnational forces, which correspond generally to transnational corporations and transnational finance capital; (iii) state authority, which accommodates that process is decreasing or in extreme versions of this arguments, a new state form is rising.

Secondly, I make an assessment of the state-based arguments, which criticize what they call as the “constraints” perspective that emphasizes how recent developments are constraining the policy agenda of the nation states, of too much generalizing the effect of globalization process and ignoring the enabling effect of the same process. Vis-à-vis market forces-centric arguments, state-centric arguments emphasize (i) the role that is played by domestic institutions and state, hence, the political aspect of globalization; (ii) the enabling aspect of globalization and the close relationship between new roles of state and competitive dynamics of the world economy, which increases the importance of competitive advantages; (iii) the variations between each states’ different responses to the same process. These arguments especially point out to the differences between Anglo-Saxon model (Britain and USA) and the much more development oriented states like Japan, S. Korea and other newly industrialized countries (NIC’s).

Within the scope of that chapter, while delineating the general line of debates and cornerstones of the approaches to globalization and state, I attempt to show how and why these approaches are not able to overcome state and market duality. Yet, I do not ignore the insights of both market forces-centric and state-centric arguments. Without denying the important aspects of these arguments which in fact explain the different aspects of the reality, it is possible to talk about one alternative approach whose relevance resides in its going beyond the external and internal dichotomy in the sense that it does not take into account globalization as a process imposed on nation state or simply authored by the nation state, but rather defines recent changes in state structure as part of a broader attempt to restructure state/labour/capital relations at the global and national levels (Burnham; 1999). Instead of taking globalization and state as two sets of empirical data and naturalizing the process, this alternative view admits that it is necessary to take into account the strategies pursued by national and transnational actors, which effect not only the policies but also structures of the states. It would be wrong to generalize certain trends and effects of certain processes; rather what is necessary is to make a comparative analysis to make explicit how national, international institutions and actors shape the policy frameworks. In that context, I argue that Poulantzas' late studies open the way for conceptualising the role played by national and transnational actors and the form of the relationship between two.

4.2. The Unpreventable Rise of Market Forces in the Age of Globalization: Market Forces-Centric Arguments

I use the term “marked forces-centric” to decipher those arguments, which shift the pendulum towards the market side to explain the changes that the state undergoes in globalization. While explaining the changes in the roles and situation of the state, these arguments depart from economic developments like changes in the production structure (Strange, 1996), advances in digital network and information technologies (Ohmae, 1995), the expansion of foreign direct investment (FDI), cross border mergers and acquisitions, strategic alliances, world wide subcontracting and outsourcing (Robinson, 2002), the rise in the effect of multinational or transnational corporations in the world economy (Camilleri and Falk, 1992; Gill, 1993), or the transition from a fordist to a post-fordist paradigm in industrial organisation (Jessop, 1997). The underlying theme of the works of all these authors, who differ in their methodological positions sharply, is the emphasis they make on the recent economic trends which are taken as explanans, to explain the loss of authority of the state or the shift to a new state form. Of course, pointing out to this common ground does not ignore the salient differences between those scholars. For instance, while Kenichi Ohmae argues that we live in a borderless world, in which nation state is totally anachronistic, Susan Strange insists that the recent changes do not imply that the state, as an institution, is disappearing (Strange, 1996: 72). Still, attributing an overwhelmingly dominant role to “economic” motives in the transformation of

the state appears as a common methodological basis on which their works are grounded.

As far as the Ohmaean type of analysis (which can be called as a hyper-globalist) is concerned, globalization is described as an economic process, which is totally independent of the state and the role of the state is considered as wiped out with the rise of the global market forces. Such an analysis does in fact reproduce the Hayekian arguments of the incompatibility of state and market. According to Ohmae,

since nation-states were created to meet the needs of a much earlier period, they do not have the will, the incentive, the credibility, the tools or the political base to play effective role in the borderless economy of today. By heritage and experience, nation states are comfortable with the market's invisible hand only when they can control or regulate it. By orientation and by skill, they cannot help but make economic choices primarily in terms of their political not economic choices (Ohmae, 1995b: 131).

Furthermore, for the hyper-globalist perspective, given “the decentralisation of authority among states,” nation state is withering away, for global actors “lobby, criticize, and convince states to act on...principle of universalism, individualism, rational voluntaristic authority, progress and world citizenship”. As a result, it is asserted, the nation state itself is increasingly shaped by “worldwide model constructed and propagated through global cultural and associational processes” (Lupher, 2001: 6). As Burnham states, these arguments rely upon a view of a powerless state, and “Fortune Magazine/Economist” view of the internationalisation process (Burnham, 2000: 13). In that part, then, by putting aside this hyper-globalist perspective, I will be focusing much more on moderate

and transnationalist views³³, which underline the constraining effects of the globalization process and try to delineate the main cornerstones of the market based arguments.

The first aspect of these arguments, as already mentioned, is that they attribute the general decline in the power of states to the rise of the world markets, especially to the power of the global financial markets. Susan Strange asserts that “the impersonal forces of the world market are now more powerful than the states to whom ultimate political authority over society and economy is supposed to belong. Where states were once the masters of markets, now it is the markets which, on many crucial issues, are the masters over the governments of states” (Strange, 1996: 4). In that sense it is argued that not only the process of production, exchange and circulation assumes a global character, by which national economies become increasingly interdependent (Camilleri and Falk, 1992: 77), but also a single global economy, which has its own rules and priorities, is being constituted. According to William Robinson what we are witnessing is the epochal shift from a world economy, in which national circulation of capital is dominant, to a global economy characterised by global circulation (Robinson, 1992). These changes do not only refer to the growing magnitude, speeding up and deepening of economic transactions, but also to a “qualitative shift occurring in the spatial organization and dynamics of this new

³³ The moderate view refers to the perspective, which, contrary to the hyper-globalizers, argues that the state is not totally disappearing but rather losing some authority. By the transnationalist approach, I understand the approach which underlines the role of the transnational forces and the emergence of a transnational state structure with globalization.

global capitalist formation” (Held and McGrew, 2000: 24). According to Robinson and Harris, this process

represents the transition from the nation-state phase to a transnational phase of capitalism. In the nation-state phase, the world was linked together via commodity and financial flows in an integrated international market. In the new phase, the world wide social linkage is an internal one springing from the globalization of production process itself and the supranational integration of national productive structures...(Robinson and Harris, 2000: 17).

In this transformation, economic changes like the expansion of foreign direct investments, cross national mergers, and acquisitions, strategic alliances, growing magnitude and intensification of global financial flows, are treated as crucial signs of a newly emerging global economy. It is interesting to note that this global economy or world market, “is merely taken for granted as a thing whose genesis and constitution remain at best assumed or at most neglected” (Bonefeld, 2000: 35).

A second general characteristic of the market forces-centric arguments is their emphasis on the role played by transnational actors like transnational corporations. Strange ascribes the losing autonomy of the states vis-à-vis markets to the change of the production structure of the world economy, which is made possible by the transnational corporations (TNC's). She argues that TNCs have become “the central organizers”, the engines of the growth of economic activity in the world economy (Strange, 1996: 45). The authors of *The End of Sovereignty* also support this view by stating that transnational corporations are key agents in growth and the changing character of international trade (Camilleri and Falk, 1992: 70).

This exaggerated emphasis on the forces of transnationalization and globalization vis-à-vis the nation-based and protectionist forces finds its utmost expression within the neo-Gramscian circle of the international political economy. Neo-Gramscians point out to the rising dominance of transnational capital and its organic intellectuals, which consist of the leaders of the transnational corporations, key financial institutions such as IMF, directors of central banks and ministers of finance. They argue that we witness a transition from the dominance of the international historical bloc to the dominance of a transnational historical bloc (Gill, 1993). According to Robinson class formation is no longer tied to the territorial space of the nation state: “Historically the process of class formation in capitalist society may have taken place through the institutional form of nation state...under globalization this is no longer so” (Robinson, 2002: 4). Robinson explains the transnational character of this newly emerging class as follows: “This class is transnational because it is tied to globalized circuits of production, marketing and finances unbound from national territories and identities, and because its interest lies in global over local or national accumulation” (Robinson, 2002: 8). This transnational capitalist class pushes further the transnationalization process and the transnational hegemony of the global capitalist historical bloc, which is composed of transnational corporations and financial institutions, the elites that manage the supranational economic planning agencies, major forces in the dominant political parties, media conglomerates, technocratic elites and state managers in both north and south (Robinson and Harris, 2000:12).

However many objections are raised against such an exaggeration of the power of the multinational or transnational corporations. The so-called sceptics argue that multinational corporations are not all powerful actors in world economy in the sense that governments retain considerable bargaining power and MNC's home base has still an important place. Linda Weiss questions the strong multinational corporation (MNC) thesis by arguing that the number of the genuinely transnational companies is rather small. According to Sanin, MNC's from US origin realises their 80% and MNC's from UK and German origin realises 90% of their research and development (R&D) activity in their home country. Moreover these corporations use only 2% of the industrial workforce of third world countries in the 1980's (Sanin, 1994). In that sense they continue to be nationally based transnationals (Wood, 1999). Yet, the most important problem with this thesis remains that there is not a clear cut definition of transnational companies and transnational class. So the question of why one should prefer the term transnational instead of multinational remains unanswered.

Pointing out to the loss of state's autonomy vis-à-vis mobile capital and the increasing power of global networks with the rise of supranational political organizations constitutes the third general characteristic of the market-forces centric arguments. As Weiss states,

..global actors and markets always seen to be 'constraining' national governance, and states either responding ineffectually, or else retreating more and more from economic management.

In the standard tale, then, globalization is very much a 'top-down' affair, understood as a series of constraints that economic openness places on the viability and effectiveness of particular national policies-macroeconomic,

fiscal, social, and industrial. Globalization is seen to be intrinsically constraining because openness involves the fall of national barriers to trade, investment, and financial flows, exposure to increasing capital mobility... (Weiss, 2003a: 2).

Here, it is assumed that governments increasingly compete to attract and retain mobile capital, which constrains the policy frameworks of the nation states. Hence the relationship between state and capital is viewed as an external relation between two entities and states are seen as the victims of the international finance capital, which imposes policy proposals for the sake of its profitability. Therefore, internal actors and internal balance of forces, which played a crucial role in the realisation in these policies are not included in the analysis.

Even though the state is not considered as a disappearing institution, the moderate views underline the retreat of the state under the pressure of the economic changes by moderate views. They argue that states retreated from those areas, in which they used to play a crucial role in the Keynesian period, like ownership and control of industry, services and trade (Strange, 1996: 54). After describing the economic changes like the shift from a Fordist to a post- Fordist paradigm of industrial organisation, growing internationalization, transnationalization and globalization and the rise of the regional and local economies, Jessop observes that “these factors allegedly undermined the borders of nation state, thereby rendering it anachronistic...” (Jessop, 1997: 571).

The moderate views also challenge the sovereignty of the nation-state. Camilleri and Falk state that “a particular relationship between the public and private and a particular concept of territoriality which defines the boundaries between the

internal (national) and external (international) environments” have been substantially eroded, even though the state still plays an important role in securing the economic producer’s access to overseas recourses and providing the legal framework, military function and legitimisation function (Camilleri and Falk, 1992: 82). In its most extreme form, this argument states that the nation state is totally withering away. According to Robinson, “a key feature of the current epoch is the supersession of the nation state as the organizing principle of capitalism, and with it, of the interstate system as the institutional framework of capitalist development” (Robinson, 2001: 160).

The argument which appears as the outcome of defining the nation state as “decreasing”, “hollowing out”, “withering away” is that national politics have been much more globalized or policy regimes have been transnationalized in the sense that foreign agents and institutions have risen as alternative sources of policy ideas, design and projects (Jessop, 1997). This idea of globalization of national politics is based on the growth of international and transnational organizations like UN, IMF, WTO, WB and EU, which have penetrated into national civil society and altered its form (Held and McGrew, 2000: 13). Robert Cox discusses how a transnational process of consensus emerged between OECD, IMF and G7 countries (Cox, 1987: 259). In that sense, the “internationalizing of state”, which means that national policies and practices have been adjusted to the exigencies of the world economy, is complemented by the “internationalising of civil society” (of authority) (Gill, 1991). Hence nation state is under pressure from both above and below. As Jessop states,

one aspect of this is the loss of the *de jure* sovereignty of nation states in certain respects as a rule-and/or decision-making powers are transferred upwards to supranational bodies and the resulting rules and decisions bind national states. This trend is most apparent in European Union but also affects NAFTA and other intergovernmental regional blocs...Another aspects is devolution of authority to subordinate levels of territorial organization and the development of transnational but inter-local policy making (Jessop, 1997: 574).³⁴

The emergence of new state forms after the Keynesian state, is shown as an another outcome of these changes. These new state forms are called as “Region states” (Ohmae), “Schumpeterian workfare states” (Jessop) or “transnational state” (Robinson). Jessop argues that Keynesian welfare state left its place to a Schumpeterian workfare state, which “attempts to promote flexibility and permanent innovation in open economies by intervening on the supply side and tries to strengthen as far as possible the structural competitiveness of relevant economic spaces.” (Jessop, 1997: 572). As for Robinson, the emergence of a transnational state makes the global/national duality outmoded, because transnational bourgeoisie captures and reorganizes existing nation states and supra-national organizations, which is central in the transnational bourgeoisie’s exercising its power (Robinson, 2001: 173-174).

The criticisms directed to the market forces-centric arguments are diverse. There is a general tendency to begin the discussion by challenging whether the openness of the world economy or economic integration is a new phenomenon or not, through empirical evidence from a comparison made between the period

³⁴ With regards to these arguments Hugo Radice states that “transnational governance structure can only be legitimised form ‘below’ by nation states which continue to exercise significant sovereignty in economic matters” (Radice, 2000: 725).

of 1870-1914 and the so-called globalization era. Lambright and van de Walle state that the international economy is no more integrated today than it had become by the latter half of the nineteenth century (Lambright and van de Walle, 2000: 126). Linda Weiss questions the meaning of cross-border flows of product, people, capital and above all money. She tries to find out whether they are novel, how they are substantial in their size and to what extent they are worldwide in their scope. To the question of “ Are contemporary international flows without historical precedent and passing perhaps novel challenges?” she enumerates counter factual evidences as follows: 1-) the ratio of export trade to GDP in 1913 may actually exceeded the level reached in 1973. 2-) the ratios of capital flows relative to output appear higher during the Gold standard period than even in 1980. 3-) Post-war trend toward greater integration has been weakening in the sense that while world trade has grown much faster than the output, this growth has actually been slowing over the 1980's and 1990's, the ratio declining from 1.65 in 1965-80 to 1.34 in 1980-90 (Weiss, 1997). Furthermore, the national base of production is still preserved, given that in the main industrialized economies around 90% of production is still undertaken for the domestic market (Weiss, 2003a: 13). Hence, the state-centric approach challenges the view that a truly global economy supersedes the international one.

Apart from this empiricist tendency, market forces-centric arguments' perception of Keynesian period of capitalism is also highly debatable. It is counter-argued that the way in which the market-centric view understands the

Keynesian state does not only overestimate the extent to which nation states are capable of controlling capital in the Keynesian era, but also it ignores the role played by the state in current economic developments (Weiss, 1998: 190; Panitch, 1994: 63). Moreover, the argument of Susan Strange about the transfer of power from the state to the market uses risks getting stuck in a win-lose logic between state and market, because state and market are conceived as two different power centres, one of which gains power when the other one loses. Finally these arguments over-generalizes the conclusions derived from the specific national contexts. According to Weiss, “they remain quite blind to the variety of state responses to international pressures and to the sources and consequences of that variety for national prosperity” (Weiss, 1998: 3). In that sense market forces-based arguments stay insensitive to variations. For this reason, instead of carefully analysing specific circumstances, most authors apply abstract political principles like state and market (Radice, 2000: 724), where the state is taken as the victim of global financial markets, finance capital etc. As Burnham correctly points out,

...most approaches to globalization fail adequately to theorize the relationship between states and markets insofar as they see states and market as isolated, fragmented aspects of social reality existing in a purely external and contingent manner. The result is the populist (and misleading) claim that states have lost ‘power’ to markets. (Burnham, 2000: 10).

4.3. Bringing States Back into the Globalization Debate: State-Centric Arguments

I use the term state-based or state-centric arguments to refer to those arguments, which take state at the centre of analysis in order to explain the recent

developments in world economy and state policies. In state-centric arguments the pendulum shifts towards the state side, which is taken as an *explanan* to explain the overall process. These arguments criticize market forces-centric ones of ignoring the role played by the states in globalization or, to use a term preferred by the state-centric analysis, in the internationalization process. The most important figures that attempt to “bring the state back” into the globalization debates are Linda Weiss, Phil Cerny, Peter Evans and Eric Helleiner.

These authors are against the view that current developments such as increasing economic integration and pressure of openness in the world economy constrain the power and policy choices of nation states. Weiss formulates the question of “why should new forms of cooperation between states and power actors be, in principle, more restraining or less enabling than before; and how in practice, are we to measure ‘more’ or less capacity to govern” (Weiss, 2003a: 10) and argues that it is wrong to see recent developments as constraining and that global economy has the potential to enable governments to pursue their policy objectives (Weiss, 2003a: 4). In fact, the very process of economic integration is likely to be facilitated by competent and effective state structures (Lambright and van de Walle, 2000), and the economic role of the state has expanded in certain areas, for the state promoted international competitiveness through its support for R&D, technology policy and other assistance to domestic firms (Rosenberg, 2002: 363). Therefore, for state-centric arguments, the state is not a loser or victim of globalization. On the contrary,

‘strong states’ tend to be midwives (even perpetrators) rather than victims of ‘globalization’. Thus we find strong states like Japan and NICs adapting to external pressure for change by pursuing internationalization strategies in collaboration with their business sector (Weiss, 1998: 12).

State-centric arguments reject making overgeneralizations about the effects of the recent economic developments on the state. As Lambright and Van de Walle argue, most approaches on globalization tend to generalize the effect of economic integration across countries, as if it has the same effect on all countries (Lambright and Van de Walle, 2000: 123). Weiss adds that not all governments move in the same way in the room that they have (Weiss, 2003b). On this issue, state-centric arguments attempt to shed light on what is going on inside the nation state and find it is necessary to look how national authorities challenge the effects of openness to the world economy and how much political autonomy they lose (Weiss, 2003a: 2-3). Since governments respond to similar market pressures in very different ways, they say, we need to be much more sensitive to national variations. Domestic institutional contexts gain significance in explaining these variations. Domestic institutions, which can be bundles of rules, norms or organizational arrangements, play a central role in mediating, intensifying or softening globalization and effect deeply the adaptability of nation state to openness pressure of world market³⁵ (Weiss, 2003a). Therefore, the institutional

³⁵ Weiss states that “On the organizational side lie such factors as the extent to which the political system is centralised or decentralised, pluralist or corporatist, the degree of bureaucratic expertise and coherence, the encompassing or fragmented character of producers organizations, the extent and nature of policy interaction between government and business, and the degree of cooperation between state and industry in coordinating financial, product and labour markets. On the normative side, institutional analysis has highlighted the dominant orientations and legal norms regarding such things as the primacy of producers versus consumers in competition policy, the state’s role in the economy and society, the nature of government-business relationship, and ideas about the overarching purpose of economy” (Weiss, 2003a: 22).

features of a domestic environment constitute the reference point to explain the extent to which enabling and constraining conditions of globalization are likely to be actualised.

This discussion allows us to identify four points on the basis of which state-centric arguments can be differentiated from market forces-centric arguments. The first one is the emphasis they make on institutions and embeddedness. The second one is the way they see globalization as an enabling process, which is also closely related with the concept of competitive advantage. The third one is their underlining of the specific and important role of the state in globalization and the fourth one is about the way in which they define the new state form which succeeds the Keynesian state.

As already emphasized, state-centric arguments underline the political factors, which have played a determining role in globalization. According to Weiss,

more generally, so-called 'globalization' needs to be viewed as a politically rather than technologically induced phenomenon. It is political, first, in the general sense that the opening up of capital markets has occurred as a direct result of governments either willingly or unwillingly, ceding to pressure from financial interests, seeking to prevent international crises, and eschewing implementation of effective controls (cf. Banuri and Schor 1992; E. Helleiner 1995). But it is political also in the more specific sense discussed here: that a number of states are seeking directly to promote and encourage rather than constrain the internationalisation of corporate activity in trade, investment and production. From this perspective, the internationalisation of capital may not merely restrict policy choices, but expand them as well (Weiss, 1998: 208).

The underlying attempt is to show how the state itself is part and primary actor of the globalization process. Against the arguments, which see the globalization of

financial markets as the product of unstoppable technological and market forces, Helleiner points out to three functions that the state assumed in that process:

First they gave market actors much more freedom to operate than they would otherwise have had by liberalizing and removing barriers to the international movement of private financial capital. Second through international lender-of-last-resort activities and international prudential regulation and supervision, states played a crucial role in containing and preventing international financial crises, crises which might otherwise have brought down the emerging global financial order. Third and most controversially, I argue that states might have tried to control capital movements more effectively than they did (Helleiner, 1995: 319).

According to Helleiner, the stateless world market or euro-market is a stark utopia in the sense that from the beginning its existence heavily depended on states' support, particularly USA and Britain (Helleiner, 1995), which shows how much political variables are important to understand the overall process of globalization.

Instead of seeing political variables as a dependent variable, which is the dominant paradigm in the globalization debates, state-centric analysis shifts the pendulum towards the political aspect of globalization and defines political factors as "...independent factors promoting, accelerating, and shaping globalization in ways exogenous social and economic factors can not" (Cerny, 1999: 89). By reversing the economic determinist perspective, which attributes the sole causal mechanism to the power of financial markets, the rise of information technology etc., Cerny argues that "political variables are the key independent variable generating globalization at the turn of the century" (Cerny, 1999: 89). However, by conceptualising the relationship between state and globalization in that way, state-centric arguments also reproduce the

methodological problems of the economic determinist perspective in the sense that again and again politics and economics are viewed as two externally related sets of variables. Furthermore, contrary to market forces-centric arguments, by substituting market with state as the nodal point of globalization, state-centric arguments produce an over-politicised account of the globalization process.

For the state-centric perspective, globalization is a process which enables states and even increases their role in certain areas. It is assumed that not only states have more room to manoeuvre, but also they must behave so, due to the growing competitive pressures of the world economy in which the importance of creating a competitive advantage is rising from day to day. In that context Weiss indicates two tendencies contributing to the increasing ability of the governments to manoeuvre. Firstly the demand for social protection increases because “strong exposure to world markets (qua globalization) has a tendency to heighten insecurity among broader segments of the population” (Weiss, 2003: 15); secondly, intensified competitive pressure affects the key actors of the economy:

The effect of such competitive challenges is to urge governments to devise new policy responses, new regulatory regimes and similar restructuring reforms. Most critically responding to these new challenges creates incentives for governments to develop new or strengthen existing policy networks (Weiss, 2003: 17).

In order to refute the argument which insists on the capacity reducing tendency of globalization, Weiss refers to the area of taxation, social welfare and industrial governance, and reaches the conclusion that state capacity is not decreasing in these areas. On the contrary, “states continue to foster new growth sectors, subsidize technological innovation and upgrading; investment in infrastructure,

finance, education, and training including active labour market policies, and regulate industry and finance in distinctive ways to buttress national competitiveness” (Weiss, 2003b: 296). To illustrate how states adapt their instruments to the new tasks, she gives the example of the Korean case, in which the state stays at the centre of the restructuring of chaebols, of the financial sector, and the creation of venture capitalist industry.

Why is it that highly coordinated market economies such as Japan and Germany (and one might add the newly industrialized counties (NICs) of Korea and Taiwan), recent adjustment pressures notwithstanding, have sustained a greater capacity for growth with equity than the least coordinated market economies, Britain and America? (Weiss, 1998: 9).

The answer would lie in the differences between the liberal state of Britain, America and the developmental states of Japan and Germany, in which state sponsorship of mergers and acquisitions has become a favoured tool. In these countries public and private partnership, rather than decreasing or disappearing, is deepening as part of a transformative project and as response to the increasing systemic risks. According to Weiss, “these states have overseen a more production centred regime of industrial policy involving varying forms of bureaucratic coordination and government-business cooperation” (Weiss, 1998: 20). These countries also show how and why globalization and state strength may be mutually reinforcing rather than antagonistic. In the Japanese case, for instance, internationalisation is the key strategy of the Japanese bureaucracy:

Japan, Singapore, Korea and Taiwan indicates that these states are acting increasingly as catalysts for the ‘internationalization’ strategies of corporate actors. As ‘catalytic’ states (to be discussed later) Japan and NICs are in any ways taking the bull by the horns, offering a panoply of incentives to finance overseas investment, to promote technology alliances between national and foreign firms, and to encourage regional relocation of production networks (Weiss, 1998: 204).

The close relationship between state and competitive advantage, which takes the place of the comparative advantage, is also apparent in the works of Phil Cerny. Cerny argues that the post-war national industrial welfare state is characterized by its capacity to insulate certain key sectors of the economy from the market. Nowadays this welfare state leaves its place to a competition state, whose original model is the neo-liberal state (Cerny, 2000: 17; 1999: 103). Cerny departs from the commodification and de-commodification couple to identify the differences between welfare and competition state respectively:

Rather than attempt to take certain economic activities out of the market, to 'decommodify' them as the welfare state in particular was organized to do, the competition state has pursued increased marketization in order to make economic activities located within the national territory, or which otherwise contribute to national wealth, more competitive in international and transnational...(Cerny, 2000: 122).

This competitive state seeks to make its territory ready for capital investment regardless of the social consequences (Bonefeld, 2000: 32). It targets particular sectors, supports the developments of both more flexible manufacturing systems, and transnationally viable economies of scale.³⁶ According to Cerny, it is with the rise of this competition state that the frontiers between state and market are blurred: "their cross-cutting structures also become closely intertwined and their behavioural modes become less and less easy to distinguish" (2000: 132).

³⁶ Cerny also adds that "assuming certain cost of adjustment, governments can alter some of the conditions which determine competitive advantage: encouraging mergers and restructuring; promoting research and development; encouraging private investment and venture capital; while providing or guaranteeing credit-based investment where capital markets fail, often through public joint public/private ventures; developing new forms of infrastructure in both old and new areas (e.g., the so-called 'information superhighway'); pursuing a more active labour market policy while removing barriers to mobility; and so on. The examples of Japanese, Swedish and Australian industrial policy have been widely interpreted in this context" (Cerny, 2000: 121).

Therefore the state itself behaves like a collective commodifying agent by internalizing the logic of the market.

As the works of Cerny illustrate, most of the state-centric arguments are grounded on a sharp contrast between the Keynesian period and the post-Keynesian era. The comparison between the characteristic features of these two periods is made through the methodological insights of a Polanyian perspective and concepts like “embeddedness” which have their implications on an institutionalist approach in the international political economy literature, though to what extent these insights are used correctly is very debatable as I will show below. The main axis of this discussion concerns the main characteristics of the state and economy relation after the second world war. As Lacher points it out (1999a; 1999b) the basic question is whether welfare capitalism was indeed a form of economy embedded in society or not. For instance John Ruggie calls the postwar period as “embedded liberalism” whose aim is to “safeguard and even aid the quest for domestic stability without at the same time, triggering the mutually destructive external consequences that plagued the inter-war period” (Ruggie, 1982: 393). For Ruggie, this was a reorganization of the balance between economics and politics, whose essence lies in “a form of multilateralism that is compatible with the requirements of domestic stability” (Ruggie, 1982: 399). Similarly, Eric Helleiner conceptualizes the Bretton Woods era as an “embedded international financial order” within which the restrictive embedded liberal approach to financial movements dominated the state policies. (Helleiner, 1995: 324). The most important characteristic of Bretton Woods era is the

widespread capital and regulative credit controls, which aimed to protect the welfare state from speculative flows.

However, within that framework not only the state's capability of controlling capital is overestimated, but also it is highly debatable whether Polanyi's notion of embeddedness can be used to describe the capitalist economy. When we take into consideration Polanyi's rejection of market economy, it is also highly debatable whether or not one can deduce that embedded liberalism as a re-embedded economy in a Polanyian sense (Lacher, 1999a; Bernard, 1987), given that the notion of embedded economy unequivocally accepts the notion of the market (Bernard, 1997). However, for Polanyi, "re-embedding meant a removing the market as the dominant institution of society, rather than merely modifying its worst excesses but in a content that fully accepts liberal rationality" (Bernard, 1997: 86). Re-embedding is possible only in the condition of a de-commodification of land, labour and money (Lacher, 1999a). Thus, conceptualizing the post war era as "embedded liberalism" would not be possible from a Polanyian perspective of "embeddedness". Within that framework, the role of the state and the form of state intervention in the Keynesian era are idealized vis-a-vis the post-Keynesian era, without questioning the particular historical relationship between state and market in that specific period.

The underlying methodological assumption of the state-centric arguments is the autonomy of the state, which is taken for granted. As the discussion on the Keynesian and post-Keynesian period reveals, the state is taken as an agent in

itself. Neither its class nature, nor particular class interests, which find their repercussions within the state structure are taken into consideration while analyzing globalization process and its effects on the state. Even though Weiss argues that

states are not unitary nor monolithic structures. They are organizational complexes whose various 'parts' represents different ages, functions and (at times) orientations. Mann makes the point in a novel way that states lack systemic coherence. The modern state is not unitary but 'polymorphous and fractionalized structures', with military, capitalist and nationalist element (1993a: 796) (Weiss, 1998: 16)

the state is taken as a unitary, self autonomous entity, which acts for its own sake in globalization. Although state-centric perspectives are correct in pointing out to the role played by the state in globalization process, they "tend to beg the question of what agencies in society shape the agenda of state" (Radice, 2000: 734). As Panitch puts it,

...most of the critics of neo-liberalism, adopting the same impoverished state-market categories but inverting the value attached to them, did nothing to help. Lamenting the 'eclipse' of the state by the market, they have restricted their contributions to extolling the success of 'strong states' in East Asia or Northern Europe in contrast to the 'statelessness' of the Anglo-American model, somehow hoping that by pointing to Japan or Germany they could prove neo-liberalism wrong. The problem with this response was not just that most writers in this vein were blind to the tensions and contradictions of that were undermining these models, and making them increasingly vulnerable to global process. The greater problem was the very notion that these were 'strong' states, in comparison to 'weak' American one (Panitch, 2000: 6-7).

4.4. Re-evaluating Globalization and State Debate From a Non-Dualistic, Relational Perspective: Bringing Class Analysis Back In

As discussed in the second chapter, most approaches on globalization are not able to theorize adequately the relationship between state and market. As Burnham emphasizes, they counterpose state and market as two forms of social organizations and consider them as “isolated, fragmented aspects of social reality, existing in a purely external and contingent manner” (Burnham, 2000:10). Moreover they tend to overgeneralize the findings of their empirical research. Whereas in market forces-centric arguments, globalization is taken as a much more “outside-in” process, in which policies are imposed on the nation state, in state-centric arguments globalization is taken as a process, in which the state plays a primary role. Yet, the most important shortcoming of both of the approaches is well reflected in the words of Bonefeld: “...the debate on globalization on the whole, fails to conceptualize the fundamental relationship between labour and capital” (Bonefeld, 2000: 34-35). While in market forces-centric arguments, labour and state are taken as passive agents, which respond to the demands of the already depicted global economic trends, in state-centric analyses, the autonomy of the state is taken for granted to such an extent that it is insulated from the conflicts of labour/capital relations.

Another methodological problem shared by both market forces centric and state centric arguments is that depart from the same empirical grounds to support their arguments. In these arguments, to verify the existence of the rise of a global

economy, there is a general tendency to apply statistical evidences as if these data by themselves can give the truth about globalization (Held, McGrew, 2000: 4) and thus, the presentation of objective conditions turns into an objectification of the globalization process (Palan, 2000). As Palan argues

scholars are increasingly attached to an ‘empirical’ variant of this theoretical model, paying close attention to (national) statistics and ‘factual’ evidence in their quest for answers. The state and globalization are here perceived as two opposing sets of empirical data. By arbitrarily differentiating between nationally-oriented social and economic activities, ‘analysis’ comes down to a quantitative assessment of the dominant social orientation of this data. So data which is deemed to belong to the state is taken as evidence which undermines the globalization thesis, and vice versa (Palan, 2000: 163)³⁷.

How can we benefit from the methodological insights derived in the third chapter to make sense of the debate on globalization and the state, without falling into a dualistic fallacy then? I have already made a detailed discussion of Poulantzas’ late studies and of form analysis in the previous chapter. In this part, I will use them in order to obtain a non-dualistic understanding of state and market in the era of globalization, by making a special emphasis on the central role played by the state with regards to the restructuration of capital-labour relations. Different from the third chapter, I will give a special attention to *Classes in Contemporary Capitalism*, for it is in that book that Poulantzas makes his methodology operational in explaining internationalisation and the state.

³⁷ Phil Cerny emphasizes that “...globalization does not lie merely in whether or not it can be empirically verified according to particular measurable criteria such as the convergence (or not) of corporate forms or social structures. Perhaps its most crucial feature is that it constitutes a discourse - and increasingly a hegemonic discourse which cut across and gives meaning to the kind of categories suggested above...In this sense, the spread of the discourse itself alters the a priori ideas and perceptions which people have of the empirical phenomena which they encounter” (Cerny, 2000: 121).

Poulantzas' late studies pave the ground for conceptualizing the contradictory interest of and strategies pursued by national and transnational actors in the process of internationalization of capital. In that sense his later works attempt to capture the inter-penetration and unification between the interests of transnational and national actors, which shape the agenda of states. This interpenetration and articulation between the interest of "internal" and "external" forces makes the differentiation between external and internal out-moded.

Poulantzas shows how the international capital can be part of the national class forces; so that the nation state takes charge of its interests. He explains how the "internal" forces, which are located at the nation state level, may become part of the internationalization of capital. He criticizes the fact that internationalization of capital and nation state are seen as contradictory, since that process itself was authored by states. He is also very critical of the "ideology of globalization", in which social formation is considered only as "concretization and spatialization of the 'moments' of this process".³⁸

Poulantzas' studies are evaluated as an "*inside-out*" approach on globalization by Panitch (Panitch, 1994). Panitch argues that globalization, which he defines as the restructuration of states in relation to the rapid movement of capital; the changing balance of class forces transnationally towards finance capital; the increasing orientation of each of the world's nation states to external trade, is also an "*inside-out*" process, which means that there is a set of class interests and

balance of class forces inside each state, which is oriented to globalization. (Panitch, 2001: 10-11). Therefore, rather than analysing globalization as an abstract process, we should carefully take into account strategies the pursued by the “internal” and “external” actors, which cross cut the state, in order to understand the specific circumstances in which globalization takes different forms.

In *Classes in Contemporary Capitalism* and *Crisis of Dictatorships*, Poulantzas criticize those who argue that European Economic Community has been rising as a counter-imperialist centre and threatening the hegemony of USA, whose position was swung due to dollar crises and Vietnam War. Instead of analysing the relationship between USA and EEC as a relation of competition between “national economies”, Poulantzas focuses on the internationalization of capital under the decisive dominance of American monopoly capital in the form of foreign direct investment and how this form of internationalization produces new forms of dependence in Europe. Two conclusions are derived from this new situation: First of all the emergence of a new form of dependence doesn’t mean that it is simply imposed on Europe. Secondly, the relationship between state and internationalization of capital cannot be reduced to “a simple contradiction of a mechanistic kind between the base (internationalization of production) and a superstructural cover (national state) which no longer corresponds to it” (Poulantzas, 1979: 78).

³⁸ It is important to note that these criticisms were made by Poulantzas at a time much before the emergence of theories and debates on globalization.

Poulantzas argues that American monopoly capital was the dominant fraction of capital within the internationalization of capital in the 1970's. This was especially true for the internationalization of capital in Europe. By way of foreign direct investment and mergers, American capital intertwined with and penetrated into European capital. The result of this process was not simply the emergence of American monopoly capital as the new power centre within Europe, but more importantly, the “..establishing relations of production characteristics of American monopoly capital and its domination actually inside other metropolises, and by the reproduction within this new relation of dependence” (Poulantzas, 1979: 47). In that context power bloc, as depicted in the third chapter, can not be defined solely at the national level. Not only “the contradictions between dominant fractions within its social formation are already internationalized”, but also the interest of this internationalized fractions were internalised in different social formations via penetrations and intertwining of capitals. Therefore,

the imperialist state take charge not only of the interest of their domestic bourgeoisie, but just as much of the interest of the dominant imperialist capital and those of the other imperialist capitals, as these are articulated within the process of internationalisation (Poulantzas, 1979: 75).

which means that internationalization of capital under the dominance of the American monopoly capital is supported by the European national states. With reference to the French case, Poulantzas argues that the representation of the interest of the dominant capital was not the result of the presence of American capital within French power bloc. Rather, “their presence in French power bloc was ensured by certain fractions of the French bourgeoisie and by the state of internationalization that affects these.” (Poulantzas, 1979: 75). As a result, it is

highly doubtful to assert that European Economic Community has simply emerged as a counter-imperialist centre vis-à-vis USA, because one has to take into account the current forms of the internationalization of capital and new forms taken by the global relations of production. Similarly, it would be mistaken to ask “how far has the state lost its power in the face of these international giants?”, a question that Poulantzas finds “fundamentally incorrect in so far as institutions and apparatuses do not do not ‘posses’ their own power but simply express and crystallize class powers.” (Poulantzas, 1979: 70). Poulantzas also states that the current form of internationalization does neither by pass nor surpass nation states:

We must not lose sight of the fact that the present phase of imperialism, and the increased internationalization of capital and production, in no way detract from the role of national states in the accumulation of capital—contrary to what has often been said. The process of internationalization is certainly not a process taking place ‘over the heads’ of these states, so that the role of national states would either be replaced by that of ‘economic powers’, or else imply the birth of an effective supranational state...If this were the case, it would be impossible to understand how and why this internationalization...are focused on the question of national state and its form of regime. National states are still the nodal points of the internationalization process, which actually increases their decisive role in the accumulation of capital..., and this explains why they are still more than ever the privileged object of struggle in the conflicts between various fractions of the bourgeoisie (53-54).

According to Poulantzas, whether in the form of foreign direct investment or short term capital movement, what is exported is not a thing, but a *social relation*, a power relation, which becomes an inseparable part of the internal balance of class forces and plays a crucial role in shaping the agenda of the state (Gerstein, 1992). In the words of Panitch, Poulantzas’ outstanding contribution lies in his explaining that “(i) when multinational capital penetrates a host social formation, it arrives not merely as abstract direct foreign investment, but as a transformative

social force within country” (Panitch, 2000: 8). This shows how, in understanding the changes in state structure, the relation between dominant classes is central to the analysis of Poulantzas which shed lights on how these forces assumed an active and determining role in and through the state in that restructuration process.

After the 1980's, the basic object of analysis in the literature on the internationalisation of capital shifted from foreign direct investment to short-term capital movements and internationalisation of finance, thanks to the liberalization of capital controls. The basic argument was that, to attract mobile capital, states were engaged in a competition and had to pursue policies, which met the expectations of capital, especially counter-inflationary policies, lowering taxes, downgrading wages, etc. Moreover, since finance capital may use the exit option and take flight to lower-tax and welfare-conservative environments states implemented policies of financial liberalization and deregulation as deliberately chosen policy tools to attract this mobile capital (Helleiner, 1995: 334; Weiss, 2003a: 8). These new developments corresponded to a shift from the Keynesian relation between public expenditure and wages in the Western capitalist countries, to the rise of sound monetary policies which replaced the inflationary demand management (Bonefeld, 1995). For most of the arguments, which depart from the externality between state and capital, all these developments including the internationalisation of finance capital take place outside of the nation state. As a result, international agencies and USA are accused of being the primary actors which enforce those policies at the advantage of international finance capital, by

reproducing the problems pointed out to by Poulantzas. According to the same line of argumentation, deregulation, liberalization and privatisation reduced the role of the state in the economy.

The first question that comes to the fore, against these arguments, is how meaningful it is to depart from concept couples like internal vs. external, state vs. mobile capital, state vs. market, so as to make sense of the restructuration of the state in the 1980's. As Bieler and Morton argue, "...the internationalisation or transnationalization of production and finance capital does not represent the expansion of different capitals outside the state but signifies a process of internalisation within which interests are translated between various fractions of classes within states" (Bieler and Morton, 2001: 26). If this point is correct, then one should focus on a set of class interests, which is intertwined or clash with the interests of the transnational actors (international finance capital) as well as the balance of class forces in each national context, in order to understand how specific policies are implemented by the nation states. To put it more clearly, one should analyze the particular relationship between domestic and transnational actors so as to shed light on how the implementation of these new policies is backed by state and domestic actors.

Secondly, the result of these new policies of deregulation and liberalization does not indicate a decreasing power of the state vis-à-vis the market, or a complete elimination of state intervention. Rather, the forms of the presence of the state in the economy have been restructured. But this does not mean that the new policies

(like deregulation of financial markets, the restructuration of state structures in relation to the rapid movement of capital, the shift from inflationary demand management to sound money policies) were implemented in the same way and in the same form in each national context. Therefore, it is highly doubtful whether there is general formula to understand the restructuration of the state and globalization per se. Hence, instead of making an over-generalized periodization of capital and of the role of the state in every specific period, alternative approaches should touch upon both general tendencies and historically produced differences by means of comparative analysis.

Even though his work is mainly based on the British case, Peter Burnham gives crucial insights about the restructuration of the state. While Poulantzas' analyses focuses on capital-capital relations, form-analysts, like Burnham, look more deeply into labour-capital relations. Burnham analyses the recent changes in terms of the recomposition of an organic whole and relates the restructuration of the form of the presence of the state in the economy with the crisis of labour-capital relations. He states that

that process of international restructuring are undertaken by national states in an attempt to reimpose tighter labour discipline and recompose labour-capital relationship...changes that characterise the global political economy are introduced by states in an attempt to solve problems that have their roots in labour/capital conflict (Burnham, 2000: 01).

The objective of Burnham's study is to uncover what kind of class relations lie behind the policies of "deregulation", are considered as constraining the arena of manoeuvre of the state. In that sense, it is possible to argue that Poulantzas and

Burnham's analyses are crucial steps for bringing class analyses back into the globalization debate.

For Burnham, states are aspects of social relations of production and their power derives from their ability to reorganize labour-capital relations within their boundaries to enhance the accumulation of capital both domestically and globally. The reconfiguration of the relation between state and market, indeed, was a response to the crisis of labour-capital relations in the Keynesian period. To overcome this crisis, according to Burnham, there occurred a shift from *politicized management* (discretion-based), to *de-politicized management* (rule-based). In politicized management, governments assume responsibility for economic management, play a primary role in conciliation/co-optation for the management of labour, capital and finance, takes immediate credit if policies are successful but lose their credit easily in case of policy failure, to the extent that an 'economic' crisis can quickly become a "political" crisis of the state (Burnham, 1999). As far as de-politicized management is concerned, on the other hand,

..governments in advanced capitalist states across the world have attempted to control inflation by adopting 'rule-based' rather than 'discretion-based' economic strategies. Rules-based approaches attempt to build counter-inflationary mechanisms into the economy by re-ordering government's responsibility for economic policy onto non-governmental bodies. This can be achieved in two ways. First, by reassigning task to an international regime, usually an international monetary mechanism, which set definite rule (Gold Standard, ERM). This attempts to build 'automaticity' into the system by formally limiting government room for manoeuvre. Second, by reassigning task to a national body which is given a definite role in statute and thereby greater independence from the government (for example moves towards central bank independence, complemented by fiscal responsibility codes) (Burnham, 2000: 22).

By rule-based approaches, governments attempt to depoliticize economic policy making. According to Burnham, that governments not only support but also author these so-called retreats from playing a central role in economic management, for through these measures they both alter the expectations of key actors and insulate themselves from the consequences of tight fiscal policy. Moreover, these policies enable governments to externalize the imposition of the financial discipline on labour and capital. Hence, depoliticization of economic management is a highly political issue (Burnham, 2000: 22). Therefore, it is wrong to assume, as the neoliberal orthodoxy depicted in the introductory chapter would suggest, that deregulation, privatization and liberalization correspond to a shift of the pendulum towards the market side so that the market gains a supreme power. Rather one can talk about a restructuration of the state's role in the economy with regards to the changing relations between capital and labour. In that sense recent changes do not erode the power of the state; on the contrary, as Panitch argues, the state is active in globalisation, due to the centralization and the concentration of state powers, which are the necessary conditions of the global market discipline: "the internationalisation of the state in 1990s appear to be taking the form,, of formal inter-state treaties designed to enforce legally upon future governments general adherence to the discipline of the capital market" (Panitch, 1994).³⁹ Therefore, rather than understanding the changing role

³⁹ He goes on to argue that "international treaties and agreements between states will most certainly be required, but they will have the opposite purpose to the constitutionalizing neo-liberalism: they will be explicitly designed to permit states to effect democratic control over capital within their domain and to facilitated the realization of alternative economic strategies" (Panitch, 1994: 90). According to Panitch, the structural role of the state will not be eliminated. He enumerates the basic elements of this role as follows: "This included guaranteeing property and contract; standardizing currency, weights and measures; ensuring the availability of key inputs of labour, finance, technology and infrastructure; general macroeconomic orchestration; regulation of conditions of work, consumption and external diseconomies such as pollution; and provision of ideological, educational and communications conditions of production and trade" (Panitch, 1994: 65).

of the state in the economy as an expression of its decreasing power vis-à-vis the market, as state and market can not be seen as two antagonistic power centres, one should focus on the restructuration of an organic whole, social relations of production, of which state and market are forms. In that sense deregulation and other cited depoliticization policies are strategies, which have been pursued to solve the problems that have their roots in labour/capital conflict, by rendering the state no longer responsible for the consequences of the restructuration process.

4.5. Concluding Remarks: Changing Role and Strategies of the State with Regards to the Restructuration of Capital/Labour Relations

This chapter made a critical assessment of market forces-centric arguments, which shift the pendulum toward the market to explain the recent global changes, and state-centric arguments, which take state at the centre of their analysis to explain the transformation of the world economy and internationalization. Market forces-centric arguments depart from the so-called “economic globalization”, which is characterized by changes in the production structure, advances in digital networks and information technologies, the expansion of FDI, the rise of short-term capital movements, etc., to explain the “loss” of the authority of the state or shift to a new state forms and they emphasize the role played by the transnational and multinational actors like multinational corporations and transnational finance capital. As opposed to these arguments, state-centric arguments underline the political factors, which have played a determining role in globalization. Instead of

analysing globalization simply as an economic phenomenon, these arguments treat it as a political process in which the state is the primary actor in opening up of capital markets, encouraging the internationalization of the corporate activity in trade, investment and production, and preventing international financial crises.

My point is that both market forces and state centric analyses, though pointing out to different aspects of the reality, fail to conceptualize properly the relationship between state and market and to grasp the totality of social relations. Although they differ in the way in which the state and market are approached as objects of inquiry, they share a common methodological link, which binds their positions in their attempt to explain the current transformation of the state structure in globalization: the conceiving of state and market as “separately existing, if not always antagonistic entities” (Yalman, 1997: 21). As Burnham indicates, state and market are treated as self-evident entities and no effort is spent in developing a framework, which does not take them as two distinct, externally related realms (Burnham, 1994: 226-27). So, both market forces and state-centric arguments reproduce a dualistic approach where the market is counterposed with the state as two opposed forms of social organization as well as two externally related distinct entities in ontological terms. Though state-centric arguments make an important critique of the market forces-centric ones which remain “quite blind to the variety of state responses to international pressures and to the sources and consequences of that variety for national prosperity” (Weiss, 1998: 3), they still adopt the same impoverished state and market categories by inverting the value attached to them (Panitch, 2000: 6). In

both analyses, class relation is put as external to globalization process and the conceptualisation of the fundamental relationship between labour and capital as an important part of the restructuration of the state is excluded (Bonefeld, 2000: 34-35).

In the chapter I also tried to give an outline of an alternative mode of explanation whose relevance resides in its insights about going beyond the state and market duality and in rejecting globalization neither simply imposed on nor simply authored by the states. I benefited from Poulantzas' late studies which reveals the contradictory interests of and strategies pursued by national and transnational actors and finds out the specific form of the relationship between them that played an important role in the process of internationalization. Also I referred to the works of those authors who use the form analysis whose theoretical premises were laid out in the third chapter. Rather than starting from abstract political principles like state and market, these authors define the recent changes in state structure as part of a broader attempt to restructure state/ labour/ capital relations at the global and national levels (Burnham; 1999). In that sense deregulation, privatization, liberalization policies do not refer to decreasing power of state, indeed, to reiterate the argument, they are strategies, pursued to cope with and solve the problems stemming from the in labour/capital conflict (Burnham, 2000), corresponding to the "changing" role of the state in the economy.

CHAPTER 5

CONCLUSION: CRITICAL ASSESSMENT and POLITICAL IMPLICATIONS

This thesis has been an attempt to make a critical inquiry into the theoretical roots of state/market duality and to show how this duality is embodied in globalization and state debate. My basic question has been in what way the theory of Nicos Poulantzas and the approach developed by the advocates of form analysis could contribute to develop a relational methodology, in order to reject those approaches which treat state and market as externally related entities and self-interested subjects.

The study began with showing how the liberal roots of state/market duality are grounded in the works of Hayek and Weber. Hayek departs from the contrast between a made order, which he calls as *taxis* and *cosmos*, which is a self-generating, spontaneous order (Hayek, 1973: 36-37). While the state is the product of “...individuals combine in a joint effort to realize ends they have in common.” (Hayek, 1944: 60), market is a spontaneous order, which “...comes about as the unintended consequences of all agents using the local knowledge at their disposal to pursue their interest within a framework of general rule that

prescribe just conduct” (quoted from Hayek by Gamble, 1996: 37-38). For Hayek the basic principle of the state activity should be the preservation and enhancement of individual freedom, whose unavoidable condition is the market order. The state provides maintenance and improvement of the institutions, which sustain market processes (Gray, 2000:127). Yet, state intervention, for Hayek, is not only external but also detrimental to market. State intervention to the market via income and price policies disturbs the signalling mechanism of the market and prevents the efficient allocation of it and reduces the productivity of the market economy (Barry, 1987: 31). In that sense state is a necessary evil, which should be hindered from intervening into the market. As a result it is very clear that within Hayek’s framework state and market represent two different types of order, which are both externally related and antagonistic. I also attempted to show how these theoretical assumptions found its repercussions in the neo-liberal ideology, which departs from the strict separation and incompatibility of state and market.

As already point out in this section, Weber considers state and market as autonomous structures, operating according to their own institutional rules and priorities (Yalman: 1997: 27). The autonomy of politics vis-à-vis the economy is one of the central themes of Weber’s works. I argued that by underestimating, or not taking into account the substantial relation between political (state) and economy (market), Weber gives us an over-politicised account of state in which state is defined only with reference to the “the legitimate use of physical force in the enforcement of its order” (Weber, 1978: 54)”. Such a definition of the state is

complemented by a purely economic definition of capitalism: “where we find that property is an object of trade and is utilised by individuals for profit-making enterprise in a market economy there we have capitalism” (quoted from Weber by Wood in 1995: 171). His contrast between rational capitalism, which is “...identical with the pursuit of profit, and forever renewed profit by means of continuous, rational, capitalistic enterprise” (Weber, 1958: 17), and political or politically oriented capitalism, which exist whenever political events and process open up opportunities for capitalist profit making and irrational form the economic point of view (Weber, 1978: 164-165), illustrates how Weber differentiates the very dynamic of economic phenomena from those of political phenomena.

Within the limits of first chapter, I also found it important to discuss Polanyi’s critique and contributions, with a view to ask to what extent his institutionalist account can provide insights to overcome that duality, as it is often claimed in the current debates on state and market. Polanyi underlines very accurately and definitely the role played by the state in the rise and constitution of the market economy, and politically regulated transition to market economy. For Polanyi, the very rise of the “self-regulating market” system as a separate realm requires political action (Block, 2003: 29). In that sense, Polanyi’s importance lies in his insistence on the historical character of market. For Polanyi, not only “...different historical types of markets can not be analyzed except in relation to the types of state which have fashioned and administered them.” (Gislain, 1987: 148), but also the competitive labour market, automatic gold standard, and

international free trade were themselves realized or enforced by deliberate state action. Yet, no matter how important are Polanyi's historical analysis and contribution, it is highly disputable whether or not he succeeded in overcoming state/market duality, because the term embeddedness, firstly assumes the separate existence of these two spheres, and then relates them. In fact, it is after explaining the role of the state in the constitution of the market very correctly and historically, does Polanyi's analysis reach its limits: He does not inquiry what lies behind institutional separation between the state and market.

In the second chapter, to overcome state/market duality and decipher how they are internally related, I attempted to focus on the insights of form analysis and of late Poulantzas. I have shown how, in their perspective, the state is neither an object, a simple instrument of classes or as a subject, which stands above the contradictions of society, but rather a specific forms of class relations. Also, state and market do not exist as externally related entities, one of which determining or dominating the other (Bonefeld, 1992: 100; Burnham, 1994: 228), but they are forms of the social relations of production which constitute them. So, I tried to demonstrate in what way form analysis went beyond some alternative approaches which underline the "interdependencies", "interactions", "influences" between state and market and grasped the internal relations between state, market and classes. As far as the substantial relation between state and market is concerned, the state not only imposes "Freedom, Equality Property and Bentham" by safeguarding the rights of property and codifying norms, but also assumes an active role in the management of labour power and money (Bonefeld, et all,

1995). In fact, state intervention, which is not external to the economy, takes different forms, which are mediated by class struggle and historically developed form of state (Clarke, 1991b).

The third chapter was devoted to the analysis of two main competing arguments about the recent changes in the state form and the effect of globalization as well as to a discussion of how these arguments establish the relationship between state and market theoretically. Therefore, I discussed to what extent these arguments by-pass or reproduce state and market duality while analysing those recent changes. I specifically focused on state and globalization debates where it is either assumed that globalization is driven inexorably forward by market forces and the state is a unified structure reacting to these external forces (Palan, 2000: 45), globalization is itself authored by the state. The market is here seen either as a *subject* to explain the current changes in state structure or it is taken as an *object* whose transformation is precipitated and authored by the state itself. Hence on the one hand the developments within the market, such as the rise of multinational corporations, transnational finance capital, information technologies or shift from fordist to post-Fordist industrial organization, are taken as an *explanan* to explain changes in the state structure, which is the *explanandum*; on the other hand by an alternative mode of explanation, state, which opens capital markets directly or promotes and encourages rather than constrain the internationalisation of corporate activity in trade, investment and production, is taken as an *explanan* to explain the current changes in the world market/national markets which are this time the *explanandum*. In that sense I

attempted to show that, even though there are differences in the way in which state and market are approached as objects of inquiry, there is a common methodological link, which binds most of those positions attempting to explain the current transformations in state structure: They conceive state and market as separately existing, if not always antagonistic entities (Yalman, 1997: 21). As Burnham points out state and markets are treated as self-evident entities and no attempt is made to develop a framework, which does not take them as two distinct, externally related realms (Burnham, 1994: 226-27). Within this dualistic approach the market is counterposed with state as two opposed forms of social organization and on the ontological grounds, they are treated as only externally related two distinct entities⁴⁰.

The arguments that were criticized in the thesis consider class relations as external to the globalization process and fail to conceptualize the fundamental relationship between labour and capital as an important part of the restructuring of the state (Bonefeld, 2000: 34-35). Furthermore, they take for granted the contradiction between state and mobile capital, hence, can not explain why the relationship between state and mobile capital should in principle be in contradiction.

Giving an outline of an alternative mode of explanation to overcome state/market duality, so that globalization is neither a process simply imposed upon or simply

⁴⁰ Needless to say, globalization as a concept is also used both as explanan and explanandum, see Rosenberg (2002).

authored by the state, was another objective of the third chapter. I referred to Poulantzas' late studies and to the works of those authors influenced by the form analysis, so as to derive insights for conceptualising the contradictory interest of and the strategies pursued by national and transnational actors, and the specific form of the relationship between them that played an important role in internationalization process. In that sense, rather than departing from abstract political principles like state and market, with reference to Burnham, I tried to underline that changes that the state structure underwent in globalization was part of a broader attempt to restructure state/ labour/ capital relations at the global and national levels (Burnham; 1999). Burnham shows how deregulation, privatisation, liberalization policies do not correspond to a decreasing power of the state, but they are strategies to solve the problems that have their roots in labour/capital conflict (Burnham, 2000).

Finally I attempted to show how in this restructuration process, any argument which treats the state as a thing in itself, as an object, as a simple instrument of classes, as a subject standing over the contradictions of capitalism would fail to grasp a complete picture of the reality with their methodological shortcomings. Rather the state should be seen as a strategic field and one should analyze the intersecting power networks, to capture current strategies and tactics "whose general objective or institutional crystallisation take shape in the state apparatuses" (Poulantzas, 1978: 136). As Poulantzas argues these strategies "intersect and conflict with one another, finding their targets in some apparatuses or being short circuited by others, and eventually map out that general line of

force, the State's 'policy', which traverses confrontations within the State." (Poulantzas, 1978:136). As a result to understand the current restructuration of the state structure and its role in the economy, we should focus on those strategies, which complement or contradict with each other, pursued by national or transnational actors.

What could be some more direct political implications of making a methodological evaluation of the competing conceptualisations of state/market relation? Though not directly within the scope of the thesis, the changing discourse of state and market by the international agencies which promoted globalization and attributed new roles to the state could give us some clues to answer that question in that concluding part of the thesis, because the way in which these international agencies define state and market justifies the neoliberal project whose basic tenets were posed in the introductory chapter.

As discussed in the beginning of the thesis, international institutions like IMF, WB and OECD formulate one of the most effective strategies to restructure state. As Biersteker argues, "the rhetoric of both World Bank and IMF has provided an important rationale for reducing the role of the state in the economy" (Biersteker, 1990: 482). In that sense, World Bank has played a pivotal role in formulating the changing relationship between state and market.

Yet, there is not one single formulation concerning state and market relation by the WB. Even though it always preserved state/market duality, WB has changed

its orientation toward state several times (Taylor, 1997), by shifting its emphasis on an anti-statist, minimal state, to the one which accepts some positive role played by the state. This changing discourse can be observed through a textual analysis of the three reports by the WB: *Governance and Development* (1992), *The East Asian Miracle* (1993) and *World Development Report, State in a Changing World* (1997). *East Asian Miracle* underlines the positive role played by the state in the East Asian development process, where the state intervened to the market by means of selectively targeting industries, providing export subsidies, protecting domestic import substitutes, state banking, state led R&D etc... (Kiely, 1998). In *East Asian Miracle*, market friendly intervention and good governance are concepts used to explain the positive role of state in the economy. The role of the state in market friendly strategy is defined as ensuring “adequate investment in people, provision of competitive climate for enterprise, openness to international trade and stable macroeconomic management” (WB, 1993: 84). However, that this doesn’t mean that the Bank accepts unconditionally state intervention without questioning. Rather it argues that “East Asian success sometimes occurred *in spite of* rather than *because of* market intervention.” (WB, 1993: 86).

In *World Development Report, State in a Changing World*, published after three years, World Bank attributes a larger role to the state in protecting and correcting markets. Apart from its positive role, the state is considered as a necessary partner to the markets (Panitch, 1998: 15), but never as an actor which replaces them: “...many of the most successful examples of development, recent and

historical, entail states working in partnership in markets to corrects their failures, not replacing them” (WB, 1997: 25). This report signals a shift from a minimal state to an efficient one, which means a state for the sake of the market (Bayramoğlu, 2002: 95).

Development -economic, social and sustainable- without an effective state is impossible. It is increasingly recognized that an effective state-not a minimal one- is central to economic, and social development, but more as partner and facilitator than as director. States should work to complement markets not replace them. (WB, 1997: 48).

In that sense, the Bank establishes a link between market liberalization and the development of effective state capacity to sustain private markets (Panitch, 1998: 18). Again, the Bank is still cautious about state intervention, because “government failure may be as common as market failure” (WB, 1997: 26).

The new strategy of the Bank about state and market is embodied in the word ‘governance’ which was firstly used in *Sub-Saharan Africa: From Crises to Sustainable Development* by the WB (Zabcı, 2002: 160). It was then defined by the 1992 Report on Governance and Development, as "the manner in which power is exercised in the management of a country's economic and social resources for development."⁴¹ (quoted from WB, 1992 by Zabcı, 2002: 160). While WB firstly used concept, other international institutions like IMF, BM, OECD, also supported and developed it. With the emergence of governance as a new paradigm, terms like accountability, participation, and transparency became key terms for the restructuration of the state in developing countries. These

⁴¹ For an evaluation of the emergence of governance as a new paradigm in the World Bank reports see Bayramoğlu (2002), Zabcı (2002).

developments are seen as a sign of shift from a Washington Consensus to post-Washington Consensus, which refers to a transition from “states versus market approach” to a complementary relationship between state and market (Rose, 2003). However, it should be noted that as Rose argues,

the post-Washington consensus is not built on a critical analysis or careful internal reconsideration of the Washington Consensus...The basic policy instruments continue to be based on a Washington consensus principles of free trade and privatization, with the only significant change being a reassessment of a role for the state to ensure that they can be implemented efficiently and humanely (Hilyard, 1997: Gore, 2000). (Rose, 2003: 76).

World Bank’s changing discourse was supported by new institutionalist economics’ conceptualization of the state as well. In the context of post-Washington Consensus, the precursor of new economic institutionalism, Douglass North⁴² has become a reference point for the World Bank and IMF, because his understanding of an *efficient state* which has a considerable role in the evolution of the markets overlapped with the type of state promoted by these two agencies. However, to reiterate the argument, this redefinition of the relationship between state and market still preserves state/market duality. Therefore the *critique* of this duality has still a significance. In fact, it is this significance that lies behind the departing point of this study and it is to the objective of making such a critique that this thesis is devoted.

Yet, it is worth noting the limits of the thesis. First of all the thesis has been an attempt to show the internal relation between state and market from a methodological point of view, thus there is still need for historical studies to show

⁴¹ For a detailed analysis of North’s ideas on the state, see North (2002).

the concrete way in which the state is present at the very constitution of the market. Secondly, the thesis had to classify debates on globalization and state into two main approaches, namely market forces-centric and state-centric, because the specific problematic that it has chosen, state/market duality was the very criterion for making such a classification. Hence ignoring some internal differences within these approaches was necessary for the problematic of the study, which excluded a deeper analysis of the divergences and convergences in the literature. Moreover the scope of the thesis did only allow me to take into account the general characteristic of both market-forces and state-centric arguments, but is evident that globalization and state debate corresponds to a huge amount of literature where I had to be selective, by choosing the most typical and illustrative figures. Finally a concrete analysis of the reconfiguration of the state form goes beyond the limits of that thesis. I could only tackle with this problem by attempting to discuss the possibility of a non-dualistic framework to theorize this reconfiguration in globalization. It is no doubt that such a framework should be backed by much more concrete analysis of the different national contexts in globalization, a task whose initial methodological steps tried to be made in this thesis.

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