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A century of convergences: Contested concepts of economic integration, 1919–2019

Jeremy Adelman, Abigail Kret, Marlène Rosano-Grange and Bruno Settis

Introduction

This chapter is about the struggle over rival visions of global interdependence, visions that rested on competing stories about integration. During the nineteenth century, the debate for many societies was whether to integrate, in large part because the machines for integration were formal and informal empires; by the 1890s, the last spasms of resistance were being snuffed out, squashed or relegated to distant margins. Once settler colonialism and finance capital had, for all intents and purposes, enclosed the world into one economic unit, the debate turned to how to manage this unequal human creation. For the past century, the debate was not whether societies should integrate economically with each other, but how. We trace three rival models of unequal integration which vied for influence and legitimacy in different historic moments.

Our story draws attention to a running tension between international economic integration and national political politics: integration across borders created opportunities and hazards, rewards and risks that had to be distributed within borders. This has been an important subject of research in the field of international political economy, where the stress has been on national policy responses to international shocks and shifts.¹ It fell to states to manage the political economy of capitalist distribution. If scholars of international political economy draw attention to inter-scalar effects of integration, our concern is with the ways in which cross-border flows and pressures created the idea of the markets that needed regulating – or, alternately, deregulating – in order to understand and handle interdependence. This forced the observers we study to reckon with the role of nation-states in international markets.

This chapter is thus about the search for models that framed the policies and regimes, models that took narrative form, with an eye to contributing to the intellectual history of political economy. It is less about policy responses or regime types than about the concepts that informed them, framed options and guided choices. It aims to bring the history of the world economy into views of global intellectual history which has, for the most part, been dominated by political and legal thought. It is tempting to conclude that this is the result of the ways in which international relations between states have informed a century of thinking about global order, and the grip that political

science has had over conceptualizing it. It may well also reflect the demoted status of the history of economic ideas in the conceptualizing of economic power, though recently some intellectual historians have plumbed the history of neoliberalism.² Either way, this chapter seeks to illuminate how economic concerns were central to thinking about global order as well as how economic policymakers struggled to develop models, narratives and concepts for managing global interdependence that criss-crossed national sovereignties.

Transwar period

The world market presented itself as a problem that transcended nations and empires at the close of the First World War; it was the crisis of the postwar that set in motion the first systematic and global round of reflection and debate over the elements of the international economy and the role of the state in managing it. Until then, the orthodoxy had been that adherence to the gold standard would discipline societies to the rule of price stability while the theory of free trade, even if honoured only in the breach, would ensure that nations would prosper by doubling down on their comparative advantage. The disequilibrium of the war changed forever the landscape of thinking about markets as the natural engines of integration that would invariably fold all societies liberal structures. There were, to be sure, early signs that all was not well, resistance in colonies and a growing array of voices denouncing the hypocrisy of the civilizing mission. For the most part, they did not affect core thinking. The war changed all that. The weakness of empires, and the rise of an alternative ideological appeal to internationalism in the form of Bolshevism, fundamentally changed the horizon of global interdependence. No longer could the discipline of the market and the long-run faith in comparative advantage command the same consensus. Internationalists were shocked to watch rivalries between states escalate so quickly; the long convergence of the nineteenth century now seemed so fragile; after 1919, burdened by debts, inflation and mass unemployment, the idea of relying on the self-correcting impulses of the market was anathema.

The First World War induced the first attempts to explain world integration as a specific historical condition, a condition whose time had passed or was in need of some institutional and political scaffolding to keep the free-trade order from collapsing into competition and *saute qui peut* policies. It also saw the emergence of contending narratives and radical critique which tapped into earlier discontents with the world system. But there was one thing upon which the rival narratives tended to agree: if nineteenth-century theories of convergence thought in terms of ever-more order, fusion and interdependent equilibrium, the war shattered all that. New ideas of economic integration were premised on disequilibrium and tendency to crisis and possibly – hopefully, for some – revolution. This meant the need to manage what the free market and nation-states so evidently could not.³

The result was the birth of two basic narratives of economic integration from within the core of the European world economy. These were not the only narratives on offer as the periphery was also a source and subject of analysis in this conjuncture,

as explored in another chapter in this anthology by Adelman, Lenel and Pryluka. The first challenger came from the pen of a Marxist, Vladimir Lenin. Lenin's theory and revolutionary praxis tore away the confidence in the evolutionary destiny of single capitalist societies. In *Imperialism, the Highest Stage of Capitalism*, published in 1916 in Russian, Lenin proposed his vision of capitalism as worldwide social formation in its most consistent form. In the 1917 French and German editions of the pamphlet, he labelled it a 'world system', defined by 'colonial oppression and of the financial strangulation of the overwhelming majority of the population of the world by a handful of "advanced" countries.'⁴ What followed was an analysis of the Russian economy as the embodiment of its contradictions – a backward country, but one that should be considered fully capitalist inasmuch as it was embedded in the capitalist world system and dependent from foreign finance capital. Russia's position in the hierarchy of the Great Powers was that of the country 'economically most backward, in which modern capitalist imperialism is enmeshed, so to speak, in a thick web of pre-capitalist relations', but a similar position as a 'commercial colony' was held by Argentina, or Portugal, sovereign countries dependent on British finance. War provided the political detonator for revolutionary possibilities that were rooted in the structure of 'uneven development' within an interdependent capitalist world.

In Lenin's view, the disorder was not the result of the archaic power of nationalism. This had been the view of hopeful liberals; their hopes were pinned on a narrative of economic convergence that would sweep away old cultural and political habits and tame the nationalist furies. For Lenin, disorder was the result of how global capitalism actually functioned; it was the *effect* of integration. In capitalist countries, the dialectics of competition and monopoly, free markets and cartels (as a specific development of the second industrial revolution), made production ever more social while the rewards ever more privatized to a small clique. And they became the drivers of expansion, betraying their own rhetoric of liberal integration and free markets: 'capitalism has been transformed into imperialism', Lenin famously noted, because it was forced to export its swelling pools of surplus capital to the rest of the world. The ensuing scramble intensified integration, while heightening rivalries and feuds. Lenin created a narrative of capitalism characterized not by its lock-step stages of country-by-country development, but by uneven development between them, competition between monopolies and alliances, unsteady hierarchies in world markets and power politics; he was building a narrative in which unification and disruptive effects paradoxically were one and the same. Once the world became an economic unit, the 'struggle for the division of the world' began.⁵ Lenin was not alone in thinking systemically and seeing that integration rested on, and needed, inequality of its parts.

If the crisis of war produced critical reflections on a world economy made of uneven and unstable parts, liberals also had to revisit their faith in the means to tether them together – the market. A counterpoint to the critical narrative of congenital disequilibrium came from John Maynard Keynes, who charted an alternative narrative. He outlined what might be called the first liberal narrative of global economic integration that broke from the older, nineteenth-century mechanical and evolutionary stories of convergence, one that identified fundamental structural properties and flaws of integration. To rescue markets as integrative machinery, they had to be embedded

in new institutional formations. Like Lenin he conceded that there was something basically wrong with the world economy; unlike them, he thought it could be made right.

Keynes finished *The Economic Consequences of the Peace* in the dying days of 1919; the armistice was a year old when he sent it to the printer. He accused the victors of sowing the seeds of an eventual destruction by imposing what he called a 'Carthaginian Peace' on the losers, especially Germany. The reason had to do with an underlying interdependence which they blithely ignored. 'The invite their own destruction,' he prophesized, 'being so deeply and inextricably intertwined with their victims by hidden psychic and economic bonds.'⁶ The failure of the men of 1919 was not being able to recognize that the world of the nineteenth century was gone for good, and that they had to devise a new one. What closed the cycle of open market convergence were historical conditions that the war wiped out. The tragedy of Versailles and the League was having been designed by men who wanted to restore a world economy on conditions that no longer existed.

To make this case, Keynes looked back to outline an arc for the history of European capitalism. The basic historic condition was the windfall that came from integrating the resources and land of the New World after 1492 into the hunger of the Old. An era of four centuries of merging the peoples, land and resources was now over. The Old World, Keynes noted, 'staked out a claim in the natural wealth and virgin potentialities of the New'. But by 1914, those once-open frontiers were closing; the land was filling up. Besides, New Worlders themselves were starting to consume the surpluses that once flowed east since 1492; scarcity of wheat, the staple of the Malthusian imaginary, was resuming its pride of place as the constraining factor in human betterment. 'The date was evidently near when these (grains) would be an exportable surplus only in years of exceptionally favorable harvest.' Gone was the illusion of inevitability about ever-expanding frontiers. The result was a scramble for more: more resources, more markets, more possessions – and inevitable clash of the great powers. The problem now was that, instead of seeing that pre-1914 integration begat the war, the victors of that war wanted to turn back the clock. This represented 'the policy of an old man,' who 'sees the issue in terms of France and Germany, not of humanity and of European civilisation struggling forwards to a new order.'⁷

Instead of thinking globally, in a new way, the victors thought nationally in an old way. The irony, Keynes underscored, was that this made Europe even more dependent on the largesse – and, as it turns out, the fickleness – of American resources and goodwill to pay for the disequilibrium they built. He was prescient about the need for Wall St to bail out Germany to keep up payments to Britain and France.

Keynes made two important contributions to the narrative thinking about the global political economy. First, he accented to historically contingent nature of integration – in contrast to the universalizing and one-way narratives of the nineteenth-century views which hoped that interdependence might put an end to war for good. To Keynes, the combination of the open frontiers of the New World and the myth of industrial accumulation without mass participation (which, as we will see later in this chapter, flipped with the discovery of the concept of Fordism) was provisional – and thus contingent factors in a worldmaking epic. His second move: to emphasize the changes

in leadership and organization, that is, *dramatis personae* and the victory of their enlightened self-interest for the story. If the nineteenth century patched the world together with empires, the gold standard and a London at the centre of world finance, what would replace it now that the war sundered the empires, kicked the legs out from under gold and turned Britain from creditor to debtor? In the end, Keynes had no answer to the question – except to emphasize that going backwards was disastrous, and that a new generation had to make history. ‘The forces of the nineteenth century have run their course and are exhausted’, he concluded famously. ‘Never in the lifetime of men now living has the universal element in the soul of man burnt so dimly.’⁸

The war thus produced rival narratives of global economic integration and the very idea of a world market produced by converging and competing parts whose alignments were now shaky. After 1921, much of the heat and feuding over how to reassemble a shattered world market passed, briefly. The Soviet Union turned inwards. The flames of insurrection in India and China died down. The world economy, for a moment, appeared to recover, thanks to the help of American loans to rickety Central European banks. Trade and migration recovered some – though only some – of their Victorian dynamism. Without a pressing social crisis or disequilibrium, the contestation after 1918 subsided. Rulers even defaulted back to the rigidity of the gold standard as a stabilizer; indeed, their return to orthodoxy would prove calamitous a few years later after the crash in the New York stock market brought the entire financial system to its knees.

Depression and new models

So it was that it was the crisis at the core of the capitalist system spurred a search for new narratives of what was going wrong and how to make things right. If the postwar analysts spotlighted how economic tensions yielded a political calamity, retrospectives after 1929 pointed to economic forces that spurred a political failure. Now, it was not the menace from Bolsheviks that motivated the search for new means to manage market life, but the rising tide of nationalism, from the United States in the form of the Smoot-Hawley tariffs, the formation of imperial blocs like the Ottawa Agreements, Japanese Co-Prosperity in the Pacific or the Reichsmark bloc, and then the more explicit predatory policies as fascist countries bulked up for war. Italy’s break with the fragile postwar consensus was driven by Benito Mussolini’s dreams of empire in Africa; likewise, militarists and magnates in Japan were behind the invasion of Manchuria in 1931 and the attack on China of 1937. Last but not least, part of the Nazi project was to build its neo-imperial *Lebensraum* and to apply to Eastern Europe the methods of colonial rule.

As the Wall Street crash reverberated through the world economy and brought on protectionist and predatory responses, there was once again a round of soul searching and narrative quests to explain what happened, why the failure? In the depths of the Depression, some turned to the international and economic origins of contemporary nationalism and the authoritarian turn in national politics. By the late 1930s, two exiled thinkers were hard at work creating narratives of the world economy and its

fragilities. Karl Polanyi and Albert O. Hirschman were the offspring of the crisis of Mitteleuropa, both witnesses to economic implosion, and both – in contrasting ways – were anxious to find a new way to manage interdependence. Polanyi echoed Keynes and pointed to the need to restore national sovereignty within interdependence to manage global markets by embedding them in regulatory nation-states; Hirschman, by contrast, yearned for a new model of sovereignty altogether, one which would transcend shopworn nineteenth-century internationalism for good with a model that would bury *national* self-determination in favour of a new international order.

Polanyi's *The Great Transformation* (1944) turned to a deeper historical narrative. Originally called *Origins of the Cataclysm*, it then became *Anatomy of the 19th Century*. These would have been more vivid, and more accurate, titles. They were bleak and did not convey his ambition to create an epic about capitalism that would convince readers that the world would be better off by turning its back once and for all on nineteenth-century liberalism's commitment to open markets and global interdependence. In this sense, he was writing in the same Jeremiad mode as Keynes had done: in crisis times, rulers aimed to restore the past, with disastrous consequences. What Polanyi sought was a narrative about the past of what Lenin had called the 'world system' in order to envision an entirely new one. For Keynes, this had been the mistake of 1919; instead of reforming a liberal civilization with a fresh narrative, the architects of the post-First World War had built its tomb. They tried 'recasting the regimes that had succumbed on the battlefields'.⁹

In a fashion, Polanyi's story picked up where Keynes left off. The rise of the world economy in the nineteenth century rested on four 'institutions': a balance of power between states, the international gold standard, the liberal state and the self-regulating market, which he credited with producing 'unheard-of material welfare'. This great transformation was responsible also for 'the hundred years' peace'. It was also a 'stark utopia'. It was stark because of its brutal physical and moral consequences; it was utopian because it depended on great acts of will and denial of reality. The commodification of land, labour and capital was the result of an organized, wrenching, dislocation from collective moorings in 'the traditional unity of a Christian society'; societies with markets ceded to market societies, bent to live and die in exchange.¹⁰

What started as an uprooting from communities of reciprocity and redistribution and the victory of individual gain came full circle with welfare systems, both democratic and authoritarian, in the 1930s. The market restoration of the 1920s had failed; gold collapsed, the old balance of imperial powers fizzled, the self-regulating market produced mass unemployment and the liberal state got swept away. Now, Polanyi argued, the marketplace was being restored to its rightful place at the service of society. 'In retrospect', he noted, 'our age will be credited with having seen the end of the self-regulating market'.¹¹ Managed currencies, protectionism and make-work declared the arrival of moral economy and the prospects for rebuilding a world economy that was not based on the illusion of free markets as the compass for interdependence. He anticipated the ways in which a new compromise around welfarism might give some ballast to a new form of interdependence, one that relied on more communitarian resorts than the liberal-individualist framework of the first hundred years of global economic interdependence. But it is noteworthy that, while

he lambasted the nineteenth-century liberal internationalists for their faith in the free flow of commodities across borders, Polanyi had no model for reintegration above the national scale: he could not envision interdependence without some shared community. His narrative imagined disembedded global markets eclipsed by embedded national ones. He could not see the ways in which Atlantic Charterists (the Charter issued by President Roosevelt and Prime Minister Churchill in 1941) had forged a narrative of their own about managed interdependence and its institutional correlate in the form of the Bretton Woods system.

One who did seek a model of global economic interdependence that tackled squarely the problem of national sovereignty was Hirschman. If Polanyi could not relinquish his belief that the nation was, ultimately, the bastion of the moral economy because it was within the patriotic community that markets could get re-embedded, for Hirschman, national sovereignty had been the source of the problem in an interdependent economic system. He envisioned a narrative that projected a new – albeit thin – notion of solidarity and mutuality that transcended borders. Why? Because the coincidence of a world market for commodities with uneven state power would lead big countries inevitably to bully weaker ones, inter-dependence was, so long as the scales of national units were unequal, vulnerable. The only solution would be to curb the cherished principle of national sovereignty in order to place international welfare on a more secure plane.

So, Hirschman flipped the underpinnings of the model of economic integration. If Polanyi had wanted to emphasize the ways in which states, and the liberal elites that ruled them, *created* an asymmetrical order, Hirschman began with the premise that states and rulers seized the opportunities afforded to them because they inhabited an *already* imbalanced interdependent world. Indeed, it was this asymmetry that induced predatory state behaviour and the temptation to build muscular, expanding, imperial, states because the global trading order fused big and small powers together. This was the kernel of his narrative in *National Power and the Structure of Foreign Trade* (1945).¹²

In *National Power*, Hirschman wanted to show how strong states manipulated foreign trade to bolster state power at the expense of weak states; the breakdown of the world system and the clash between big blocs were hardly an irrational, nationalist, pathology. It was an understandable response to a basic contradiction, a contradiction that grew with time so long as the world economy stitched societies together but left the management of market risks to nation-states. In this sense, Hirschman saw economic relationships as intrinsically unharmonious and inclined to disequilibria. There was nothing discontinuous about the long arc of imperial integration of the nineteenth century through the turmoil of the interwar years. But he distanced himself from his Marxist roots by seeing patterns of exploitation beyond class terms; empire was not – as he noted from his readings of Lenin – the result of cyclical capitalist crises; empire was ingrained in the nature of commercial interdependence. In this sense, he wanted to challenge liberal *and* Marxist tendencies to see aggrandizement as the expression of desperate reactionary elites that the moralists were all too happy to denounce while ignoring the underlying source of the problem. Hirschman aimed to bring some ‘realism’ to the understanding of political economy and economic analysis to the study of *realpolitik*. Hirschman urged readers to see German aggression not

simply as a response to the punitive terms of the Versailles peace; it reflected a larger challenge. Economic aggression had to be seen in more systemic ways, as woven into the very fabric of national sovereignty. A real peaceable order had to confront the source of the problem – a contradiction from which liberal, democratic regimes were not immune. If there was a ‘natural temptation’ to use trade as ‘an instrument of national power’, Hirschman felt it was therefore obligatory to sacrifice the means of national power-holders’ access to commercial weaponry. The core of his injunction came down to this: ‘nothing short of a severe restriction of economic sovereignty’ would preserve a world that wanted peace with the gains from trade. The only way out, to achieve peace with welfare, was a narrative that revealed the necessity of a wholesale break from the formula that governed global trade since Machiavelli: ‘This can be done only by a frontal attack upon the institution which is at the root of the possible use of international economic relations for national power aims – the institution of national economic sovereignty.’¹³

For its time, this was an audacious argument. It anticipated the language of interdependence that we now associate with globalization, though it was far more committed to the necessity of fairness and equity as conditions of interdependence that later neoliberals ignored. As Polanyi and Hirschman sent their books to press in the waning years of the Second World War, there was in fact an effort to rebuild the world market based neither on the re-creation of the national moral economy nor according to a post-national vision. At Bretton Woods, New Hampshire, bankers, economists and diplomats convened to design the elements of a new economic order that would reflect the ideas behind the Atlantic Charter signed by the British and American leaders in 1941 as a model of postwar peace.

Trente Glorieuses

Atlantic Charterism was a kind of compromise, a middle ground between Polanyi’s story about the need for restored nation-state vigilance of global markets and Hirschman’s global markets which could tame and discipline the national power seekers. The delegates at Bretton Woods, in drafting the terms for the International Bank for Reconstruction and Development (World Bank) and the International Monetary Fund, would strike a balance between the need for states to be able to regulate national economies while strapping them to a multilateral market order, to embed the national markets into a wider order while accepting the role of states to manage their stability to curb the social forces that led to the mayhem of the 1930s. This section considers how this compromise rested on framing narratives of capitalism and interdependence that gave this new arrangement some legitimacy and resilience for three decades, after which it was besieged by the forces that would give way to our globalization.

We point to two key concepts that stemmed from narratives of capitalist interdependence. Both sought to redress a double challenge: how to ensure that consumption kept pace with production within national markets *and* ensure that the resources of colonized peoples that had been seized by old empires continue to meet the industrial needs of empires as they retreated. The first was what became called ‘Fordism’, which provided a narrative solution to inequities of the old industrial model.

It relied on an institutional bulwark in the form of the Bretton Woods system and domestic welfare to embed new markets, fuse them together and sustain a framework for a post-Euro-centric system which aligned (non-imperial) state power to norms and rules of markets. The second was an international drive towards 'development' to rebuild the fraying ties between postcolonial societies and their former masters, recast as a story of hope, a hope that interdependence could exist without empire. Both were key to the building of a postwar consensus, a consensus that was coming unravelled by the end of the 1960s and which would yield a new search for coordinates in the 1970s, which will concern us in the final section.

The rise and fall of the Fordist narrative mapped on to postwar reconstruction and was based upon the cornerstones of industrial development, international cooperation and American hegemony. It was not just a coincidence that Antonio Gramsci focused on this term, Fordism, as he reflected on the American industrialist's (Henry Ford, founder of the Ford Motor Company) recognition of the ineluctable relationship between mass production, the assembly line and mass consumption. Gramsci could not yet foresee the rise of the shopping mall, though there was already some conceptualizing of mass consumption at the time he was writing – from Thorstein Veblen to Walter Benjamin. However, Gramsci's insight was mainly set in a national framework, albeit in its relation with international processes. His conceptual goal had been to explain how the alienation that came from the routinized assembly lines, standardized production and the disciplining of tasks did not yield to a revolutionary consciousness as mainstream Marxism had predicted. Rather, Gramsci – while never abandoning his hope for a socialist utopia – recognized the shrewdness of employers like Ford who, instead of whipping his workers into obedience, paid them enough of a salary that they could afford the car they helped produce. The brilliance was twofold. First, Fordism buoyed a growing domestic market to soak up domestic production, in a way resolving the problem that concerned Keynes' *General Theory*, how to prevent business cycles from spinning into crises of under-consumption. Second, by re-identifying the worker as a consumer, Fordism blunted the proletariat's self-conception as oppressed wage-labourer and reframed it to wage-consumer; along the way, the capitalist was able to conduct a discreet campaign to cleanse the rebellious worker's body, right down to taming sexual urges and private passions (Gramsci was fascinated by American prohibition movements, for instance). Aligning mass consumption and mass production channelled what Gramsci called 'animality' for possessing things into the rationalization of industrial production of those things, thereby moralizing capitalism and mechanized production. Herein lay the terms of a new capitalist compromise, one in which the capitalist would be willing to pay a living wage in order to see the market expand.¹⁴

To Gramsci, Fordism was almost interchangeable with Americanism. He ended his ruminations in what would eventually become called his *Prison Notebooks* with a question: is American civilization invading Europe? Was this 'Fordist' system being imported into the Old World? The answer was no. America was condemned to 're-masticate' what Europe created. However, when it came to the ability to moralize the market and give new significance to the wage-labour relationship, Fordism did

hasten what would have been inevitable in Europe with the rise of welfare and mass consumption. 'In Paris', he noted, possibly with a dig at the emergent hair-dye firm Oréal (later l'Oréal), 'Americanism can appear like a form of make-up, a superficial foreign fashion'.¹⁵

Fordism – even as it went by other coinages – was an important guiding principle for the compromises and balances of the post-1945 decades, and gave meaning to the double expansion of mass consumption and mechanization under the roof of integrated corporate structures and sheltered by welfare and Keynesian macro-economic management. It was a keyword for reimagining the virtuous harmony of the national market and the nation-state.

But what about the world system that had been the condition for Europe's civilization? The struggle against European colonialism forced a search for a different narrative of economic integration – one that made catching up with industrial societies a cornerstone of a more equitable world system. The topic of how postwar integration fuelled a postcolonial narrative is covered in other chapters in this anthology (see Chapter 10). Still, it is important to underscore here that the remaking of the world system had to consign the old imperial convergence narrative which required that peripheries join and submit to the uplifting powers of foreign markets, capital and control, in favour of a successor. For instance, Jawaharlal Nehru railed against British exploitation, and his vision represented an important step in how narratives of global economic interdependence forked in the 1920s and 1930s, as one vision saw membership in global empire as a key to modernization, while others argued that only a break with empire would put colonies on the path to development. 'The only way to right [injustice and exploitation] is to do away with the domination of any one class over another.' 'The exploitation of India and other countries', he exclaimed in *Whither India?*, 'brought so much wealth to England that some of it trickled down to the working class and their standard of living rose'.¹⁶ Since colonies actually lost by staying within the prevailing system, the solution was to drive the British out of India, to break with the old imperial-uplift story of progress and replace it with a new one – a narrative that argued that convergence would only come with an end to empire.

The long dismantling of empire after 1945 cleared the way for that new narrative of uplift. Nehru championed the idea of national planning – coordinated big pushes to get India out of its colonial trap by integrating a domestic economic space. This was a kind of peripheral New Dealism. Parts of the Indian elite glanced at the American projects for reactivating the economy as a model for activating their own industrial capacities and a premium on the integration of a domestic, eventually 'national', market. Taking a page out of the Tennessee Valley Authority, they aimed to build multipurpose dams on the Mahanadi River in the Damodar Valley, which would become the signature of India's economic independence. While some British and American observers fretted about the country's global alignment as Nehru drew from the Soviet planning model to accelerate history and the passage from a rural society to an industrial economy, the effort was more of a hybrid. The point, as far as the eventual head planner, the physicist Prasanta Mahalanobis, was concerned, was to reverse the haemorrhaging of resources from the colony to the metropole by becoming a new manufacturing power bristling with its own heavy-metal plants. By coupling statistics with steel, Indian social scientists could effect a fundamental change in the global economic geography: they

could halt centuries of one-sided accumulation under the aegis of colonialism and reconnect decolonized peripheries, increasingly self-identified as a 'Third World' after the 1955 Asian-African Conference in Bandung, Indonesia, as economically and political sovereign co-members of a new, more equitable and inclusive, world order.¹⁷

National welfare for industrial societies under the Fordist compromise and national development for postcolonial ones were two sides of world market reintegration after empire, with a new bevy of international financial agencies and trade agreements to keep states from resorting to commercial competition policies, provided the framework of interdependence and an equipoise between national and international scales – of resolving the abrasive relationship between nation-states and world markets, national sovereignty and global interdependence.

As a framing for the *Trente Glorieuses*, the three decades following 1945, Fordism and development would be liberating for many and served as the language of liberal internationalism. But they also yielded detractors with other conceptions of interdependence. One was the idea of European integration, of curbing national sovereignty of European states in order to create more regional autonomy and to defuse any threats of future conflict by making nations into tighter trading partners. An important figure in this movement was Jean Monnet, who made his wartime service in Washington as advisor to President Roosevelt, and who saw first hand the rising power of the United States in the global economy. He recognized for France in particular, the advantages to be integrated in a global system. But he also advocated transitional measures to be strong enough to confront global competition, including from the United States.¹⁸ Monnet advocated a New Deal for European integration, that is, a technocratic supranational organization in charge of the modernization of Western Europe through decartelization and liberalization within the region, creating 'a Union that has the power to lower customs barriers, create a large European market, and prevent the reconstitution of nationalisms.'¹⁹ He did not, however, advocate a single regional state to match the making of a single unified market. Monnet promoted a project of integration in order to prepare European economies for wider global integration.²⁰

Even as the embedded narrative of managed interdependence was reaching its peak in the 1960s, it was coming under the lens of critics. By the 1960s, Third World thinkers, inspired by events in Vietnam and Cuba, began to call for a different model of socialist solidarity to rid the world of neocolonialism. The Cuban government convoked left-wing delegates from Africa, Asia and the Middle East to gather in the capital to flesh out a model and plan for outlining a socialist pathway to economic development, one that could rival the orthodoxy coming from Washington. The brainchild of the Moroccan politician, Mehdi Ben Barka, before he was assassinated in 1965, early meetings in Cairo, Accra and elsewhere gathered momentum for something called the Organization of Solidarity with the People of Asia, Africa and Latin America. It was in Havana, at the Tricontinental Conference, that the movement took official shape.

By fusing socialism, development and the anti-imperial struggle, the Tricontinental mapped out an alternative imaginary of solidarity and integration across borders. The signature document for socialist developmentalism was an address by the Argentine-born icon of armed struggle, Che Guevara. Since the early 1960s, Che had been campaigning against the notion of 'peaceful coexistence' of the capitalist imperial

world and the postcolonial proto-socialist one struggling for liberation. For the global guerrilla, there could be no true development so long as ‘imperialists’ structured international dependence on their own terms; only a decisive, violent, break with the Washington order would put the Third World on the path to development. Much to the discomfort of the Soviets, who were having a hard time with Third World firebrands, Che called for the proliferation of insurgencies and a militarization of the narrative of contestation.²¹

By the late 1960s, the postwar consensus was coming apart from within with competition from a more integrated Europe and a rebuilt Japan and challenged from without by critics of global trade and finance. The condition of its buoyancy, the leadership of the United States, unravelled, as trade deficits, pressure on the dollar, and war crippled it. The Bretton Woods System ‘ended’ on 15 August 1971 when Richard Nixon took the United States off of the Gold Standard. But the end of the narratives that accompanied this order – the Keynesian consensus, cooperation through trade and international organizations, the linkage between growth and development – would come undone over the course of the next decade and yield to a new narrative of convergence.

The struggle for alternatives in the 1970s

During the decade of malaise and uncertainty of the 1970s, the fundamentals of the Fordist compromises and developmentalism, overseen by national states’ autonomy to manage market integration, came apart and cleared the stage for new narrative of integration, one that turned away from inter-state action to loosened, private, cross-border convergence. It was the flow of capital and commodities above all that would redefine the interdependent makeup, one that would dis-embed the market from structures of state sovereignty.

The term that’s often employed to describe this emergent regime is neoliberalism. It is not to be conflated with nineteenth-century style *‘laissez-faire’* economics. What buoyed neoliberals was not a romantic narrative that wanted to turn the clock back. If anything, neoliberals had a narrative that wanted to accelerate time in order to liquify social relations into a global social fusion. Indeed, there was, from the start, a strong push to sustain market-based convergence that severed the management of exchanges from the politics of empire/nation-states and placed the tasks in the hands of technocratic, cross-border, classes. In this sense, Monnet and the European integration narrative were prophetic. This narrative was expressed early in the European integration debate by German officials connected to a network of ordoliberal thinkers. For example, Hans-Joachim Mestmäcker was an influential advisor of Hans von der Groeben, the president of the common market committee during the negotiations of 1955 and the future competition commissioner. Together, they developed a holistic conception of competition, a *Wirtschaftsverfassung* for Europe,²² different from the US tradition of anti-trust law that US officials were trying to implement in Europe. For Mestmäcker and von der Groeben, competition was the way to merge European markets into a unique market. Nor were market fundamentalists on the same page. This German ordoliberal narrative of competition

was firmly criticized by economists and jurists from the University of Chicago. On the basis of the thinking of scholars such as Robert Bork or Richard Posner, the British professor of competition law Valentine Korah and the American lawyer Barry Hawk denounced the outsized legal power of the Commission as meddling since markets tend towards a natural equilibrium.²³ They had sway over the European Court of Justice. Mestmäcker led the counter-offensive in academic circles and European Economic Commission institutions and eventually won the debate for European competition policy.²⁴

These ideas of market-based integration swayed and accelerated the pace of European fusion. When Bretton Woods collapsed in 1971, the first oil shock of 1973 sparked a quest for a return to stability without US leadership but based on market flows – which channelled into a narrative about prices and eventually monetary union, this time led not by Washington but by Bonn and West German financiers. The German chancellor Helmut Schmidt as well as German officials were influenced by the ordoliberal analysis of the crisis. For Schmidt, ‘the root of all current evils was the failure to get a grip on inflation; in these circumstances, tradition Keynesian policies were irrelevant’. Austerity and wage control had to be implemented to fight inflation. At the same time, states with surpluses were summoned to coordinate their spending. The second oil shock of 1979 pushed the West German government to a firm embrace of the ordoliberal model at a trans-European scale. Coordinated currencies and eventually the making of the Euro would stimulate the competitiveness of European firms though an interventionist industrial policy and challenge the hegemony of the US dollar.²⁵

While the project of European integration along ordoliberal lines was taking shape in the 1970s, the decade also saw international efforts to redress the inequality among nations – increasingly conceived along North-South lines – that accompanied global economic integration. The developmental state did not deliver economic power to accompany the political independence of the postcolonial states; it only led further into the periphery rather than to prosperity. Disenchantments with development along the lines of Nehru and others of the 1950s Third Worldist bent turned more radical interpretations to argue for overcoming dependency through revolution. A more fundamental break with the past would put underdeveloped societies on a new trajectory. While there were Neo-Marxist critics like Andre Gunder Frank and Samir Amin who argued that integration into the capitalist world system was itself the cause of underdevelopment, the option to (or desire for) exit was fading. But in a world of asymmetrical power, was there a way to reconcile economic integration *and* national development?²⁶

The Third World regrouped into a new, more contestatarian bloc in the 1970s, under the banner of the Group of 77 members of the United Nations calling for a new world order. Leaders of the G77 thought they could achieve this by changing the rules of international trade to level the playing field for the developing nations and stop the drainage of wealth from the Third World. In 1972 Luis Echeverría Álvarez, the president of Mexico, travelled to Chile to meet with counterparts to draft a Charter of Economic Rights and Duties of States and outlined a New International Economic Order (NIEO) in which developing countries would assert their control over their resources and fight back against multinational firms, retain the rents from their exports

and proclaim the right of the Third World to sit at the table where global decisions were being made. Here was a new vision of convergence that re-asserted the power of national states to govern the rules of interdependence and thereby make the world system more equitable.²⁷

By the end of the decade, attempts to reconfigure the relationship between the global North and South had stalled, but the energy crisis, food shortages and the persistence of poverty kept the management of the world economy at the top of the international agenda. As the head of the International Commission on Development Issues, former West German Chancellor Willy Brandt recast the problems of interdependence in the language of morality and mutual interests and proposed a model of economic integration premised on the internationalization welfare and globalization of Keynesianism. In the introduction to the Commission's report, he wrote that 'in the world as in nations, economic forces left entirely to themselves tend to promote growing inequality. Within nations, public policy has to protect the weaker partners. The time has come to apply this precept to relations between nations within the world community'.²⁸ The report recommended reforms familiar from the NIEO: commodity price stabilization, regulation of transnational corporation and better access to markets in the North, along with massive transfers of capital from the North to the South which would finance development in the South while also priming the pump to lift the world economy out of stagflation.

By the time the Brandt Commission's report was released in 1980, the world had recently seen a second oil crisis, revolution in Iran, the renewal of East West tensions and a revived enthusiasm for the market, which was now bolstered by conservative electoral victories in Europe. In this environment, Brandt's vision for Keynesianism at an international scale seemed less like a bold way forward and more like an attempt to turn back the clock to an earlier juncture, a tendency that Keynes himself had warned against after the First World War. There was no going back to the growth and stability of the *Trente Glorieuses*. And despite Brandt's attempts to conjure up a sense of international solidarity, the problem Polanyi saw in trying to reconcile welfare and interdependence without a shared community seemed more glaring than ever.

Breaking the impasse

If the crisis of the 1970s saw the competition between rival models of convergence heat up, the shocks of the end of that decade tilted the balance in favour of a market-based conception of togetherness. But it did not necessarily remove institutions from the picture. Far from it, states remained important for disciplining societies that could not remain within the lane-markers of price stability and open markets. After the breakdown of efforts to reform the global economic system in the 1970s, the question of how developing countries could better position themselves in the global economy shifted from the international to the domestic scale. Now problems of relative backwardness were attributed to bad domestic policies, rather than the dynamics of dependence or neocolonialism. The developing countries needed to get their house in order before casting blame on the system at large, and the proper functioning of

the global economy required them to do so. For countries of the Third World, this meant using the levers of state policy to dismantle the structures of development – from privatization and deregulation to removing protection for native industries and promoting exports; the state was important for reconfiguring developing societies for a new international division of labour, with the hope that foreign capital and foreign markets would lift them from their plights. The model became a dogma, and the phrase ‘Washington Consensus’ was its shorthand.

The term ‘Washington Consensus’ was first used by the economist John Williamson in a 1989 paper outlining the consensus he observed in *both* Latin America and the United States around ten policies: fiscal discipline, reordering public expenditure priorities, tax reform, liberalizing interest rates, competitive exchange rates, trade liberalization, lower barriers to foreign direct investment, privatization, deregulation and property rights. Earlier that year when Williamson testified on Capitol Hill in favour of the Brady Plan for debt relief, his assertion that Latin American governments were reforming their economic policies was met with complete disbelief.²⁹ Williamson’s subsequent articulation of the Washington Consensus was meant to capture a broad shift that was not on the radar of those lawmakers, namely the move away from the orthodoxies of development economics (planning, state ownership, import substitution, industrialization) towards a new set of priorities: macroeconomic stabilization, a larger role for the market and export-led growth models that occurred over the past decade.

In the 1990s, the term took on a life of its own and came to represent a powerful and pervasive conception of global economic integration. For critics, ‘Washington’ was a monolith from which economic orthodoxy originated and was imposed, and the ‘consensus’ stood for any number of malign ideologies including neoliberalism, Reaganism, monetarism and *laissez-faire* economics. The policies outlined in Williamson’s ten points were interpreted as prescriptive rather than descriptive, representing a universally applicable set of principles that represented common sense. This was no longer the time of the three worlds of the Cold War, each operating according to its own set of economic laws. There was now a single global economy emerging that operated according to a single logic. In order to develop, countries needed to put policies in place that would attract investment and technology, lest they be left out of the global flows of capital and goods. Liberalization, privatization and deregulation weren’t just the proper policies to follow at the national level, they were policies that would lead to the best outcomes for the global economy.

Conclusion

For a brief, albeit worldmaking, moment, this ‘consensus’ about the new balance of markets and states in the making of interdependence appeared to reign supreme. It found its way into the popular discourse on what would be called ‘globalization’ through the writings of Thomas Friedman. Friedman’s syndicated *New York Times* column and bestselling books presented an easily digestible conception of globalization as an inexorable process beginning after the Cold War, which brought prosperity, democracy and stability to those who understood and played by its rules,

and disorder and deprivation to those who do not mould themselves to the preferences of the market. It was, in a sense, an ironic return to the mechanical and evolutionary stories of convergence from the nineteenth century that Keynes had broken with. In Friedman's telling, integration was driven by the mutually reinforcing dynamics of capital mobility and technological innovation. Fibre optic cables and microprocessors allowed capital to ricochet between Wall Street, The City of London, Hong Kong and financial hubs in the developing world (now dubbed 'emerging markets' to make them more enticing to investors) and the internet was flattening differences across borders. Friedman had a penchant for strings of comparative adjectives – faster, closer, deeper, farther, cheaper – that repeat like mantras, reinforcing the sense of acceleration and inevitability that underlie his conception of global affairs.

In a 1997 *New York Times* column, Friedman imagined an exchange between Malaysian Prime Minister Mahathir Mohamad and US Treasury Secretary Robert Rubin. Mohamad often appeared in Friedman's writings as a symbol of misplaced Third World fury and a stubborn refusal to come to terms with the realities of the new world order. Friedman's imaginary Rubin scolded an imaginary Mohamad for putting the blame for Malaysia's economic troubles on currency speculators: 'You keep looking for someone to complain to, someone to take the heat off your markets. Well guess what, Mohamad, there's no one on the other end of the phone! The global market today is an electronic herd of anonymous stock, bond and currency traders, sitting behind computer screens.' Malaysia *used* to play by the rules and was rewarded with investment, and when it stopped, the herd took off to greener pastures. For Friedman, no one was in charge. There was no choice.³⁰

Not everyone bought into the optimistic sweep of Friedmanian conceptions of globalization with no one at the helm or available to answer for its consequences. For dissenters, globalization was not an abstract force at work in the world, but was the result of decisions made by global elites and the interests of multinational corporations. The protests at the 1999 WTO Ministerial Conference in Seattle – dubbed 'the Battle for Seattle' – were bookended by equally large (and even more violent) clashes between activists and police at the G8 meetings in Cologne in June of 1999 and Genoa in July 2000. McDonald's, Microsoft and Nike – the darlings of Friedman's narrative – became the target of highly visible protests around the world. French farmer Jose Bove and his *Confederation Paysanne* attacked a McDonald's in southern France in protest of WTO policies on beef exports; pictures of children sewing shoes in Nike sweatshops in South Asia sparked boycotts of the brand; and *Adbusters'* 'Corporate America Flag' replaced the stars and stripes with corporate logos, creating a snarky icon for the loose movement. Canadian writer Naomi Klein's 1999 exploration of how brands shape our society and politics, *No Logo*, became a bestseller and the 'manifesto of the anti-globalisation movement'.³¹

For almost two decades following 1989, however, the voices of dissent appeared to be howling in the prevailing winds. It was another crash, in 2008–9, that finally sundered the certainties and hegemonic narratives of globalization, not unlike the effects of 1929.

Ever since, there has been a standoff over the meanings of convergence.

In our day, nativism, fences, walls and herding refugees into barbed-wire camps on a scale unseen since 1945, indeed the very concept of interdependence as a global good which lay at the root of the post-1945 world order is being questioned. Even the prospect of a shared commitment to bend back the carbon emission curve is on the ropes.

Nowhere is this absence of guiding models and narratives for global meaning-making more pronounced than in the domain of the economy. There was once a common-sense view that cross-border trade and investment were good; by lacing the world together into a pool of common interests, an interdependent economy restrained conflict, it brought prosperity, and, under some contentious conditions to be sure, it might even bring development for the world's have-nots. That package makes less sense than ever. Why depend on strangers? Who wants the burden of strangers depending on us? This crisis of global narratives and norms is at once a crisis in economic historiography, an impasse in the guidance systems that have steered the players in the world economy to a sense of historic purpose, one that passed through them from a past to a future.

Notes

- 1 For classical accounts, see Peter Katzenstein, *Small States in World Markets: Industrial Policy in Europe* (Ithaca: Cornell University Press, 1985); Peter Gourevitch, *Politics in Hard Times: Comparative Responses to International Economic Crises* (Ithaca: Cornell University Press, 1986); Peter A. Hall, *Governing the Economy: The Politics of State Intervention in Britain and France* (New York: Oxford University Press, 1986).
- 2 Angus Burgin, *The Great Persuasion: Reinventing Free Markets since the Great Depression* (Cambridge, MA: Harvard University Press, 2012); Quinn Slobodian, *Globalists: The End of Empire and the Birth of Neoliberalism* (Cambridge, MA: Harvard University Press, 2018).
- 3 Daniel Laqua, 'Transnational Intellectual Cooperation, the League of Nations, and the Problem of Order', *Journal of Global History* 6, no. 2 (July, 2011): 223–47.
- 4 <https://www.marxists.org/archive/lenin/works/1916/imp-hsc/pref02.htm>
- 5 <https://www.marxists.org/archive/lenin/works/1916/imp-hsc/ch06.htm>
- 6 Keynes, *The Economic Consequences of the Peace* (London: Macmillan, 1919), 5.
- 7 *Ibid.*, 22–4 and 36.
- 8 *Ibid.*, 297.
- 9 Karl Polanyi, *The Great Transformation: The Origins of Our Time* (New York: Farrar and Rinehart, 1944), 23.
- 10 *Ibid.*, 3 and 102.
- 11 *Ibid.*, 142.
- 12 Albert O. Hirschman, *National Power and the Structure of Foreign Trade* (Berkeley and Los Angeles: University of California Press, 1945).
- 13 *Ibid.*, 79.
- 14 Quentin Hoare and Geoffrey Nowell Smith, *Selections for Prison Notebooks of Antonio Gramsci* (New York: International Publishers, 1971), 298.
- 15 *Ibid.*, 318.

- 16 Jawaharlal Nehru, 'Whither India?' (1933), in *India's Freedom* (London: Unwin Books, 1962), 21.
- 17 Stephen Clarkson, *The Soviet Theory of Development: India and the Third World in Marxist-Leninist Scholarship* (Toronto: University of Toronto Press, 1978); Adom Getachew, *Worldmaking after Empire: The Rise and Fall of Self Determination* (Princeton: Princeton University Press, 2019).
- 18 Jean Monnet, *Mémoires* (Paris: Fayard, 1976), 813–15.
- 19 *Ibid.*, 482–3.
- 20 *Ibid.*, 610.
- 21 Jon Lee Anderson, *Che Guevara: A Revolutionary Life* (New York: Grove Press, 1997), 682–84.
- 22 That is, an 'economic order based on competition'. Hans von der Groeben, 'Wettbewerbspolitik in der europäischen Gemeinschaft', *Bulletin der EWG*, no. 7/8 (1961): 10.
- 23 Valentine Korah, *Competition Law of Britain and the Common Market* (The Hague: Martinus Nijhoff Publishers, 1982), 284–85; Barry Hawk, 'EEC and US Competition Policies. Contrast and Convergence', in *Enterprise Law of the 80s. European and American Perspective on Competition and Industrial Organization*, ed. F. Rowe, F. Jacobs and M. Joelson (Chicago: American Bar Association, 1980), 49.
- 24 See the special issue coordinated by Mestmäcker who gathered several specialists of German and US competition laws in order to attack the Second Chicago School: Ernst-Joachim Mestmäcker, 'Introductory Remarks' and 'Competition Policy: German and American Experience', *Zeitschrift für die Gesamte Staatswissenschaft* 136, no. 3 (1980): 385–407.
- 25 Helmut Schmidt, *Men and Powers: A Political Retrospective* (New York: Random House, 1989), 173–7. For more, see Schmidt speech to the Bundesbank, 30th of November of 1978, <http://www.margareththatcher.org/document/111554>
- 26 Andre Gunder Frank, *The Development of Underdevelopment* (New York: Monthly Review Press, 1966); Samir Amin, *L'accumulation à l'échelle mondiale* (Paris: Editions Anthropos, 1970).
- 27 Christy Thornton, *Revolution in Development: Mexico and the Governance of the Global Economy* (Berkeley and Los Angeles: University of California Press, 2021), 168–71.
- 28 *North-South, A Program for Survival: The Report of the Independent Commission on International Development Issues* (London: Pan Books, 1980), 3.
- 29 John Williamson (ed.), *Latin American Readjustment: How Much Has Happened* (Washington, DC: Peterson Institute for International Economics, 1989).
- 30 <https://www.nytimes.com/1997/09/29/opinion/foreign-affairs-excuse-me-mohamad.html>
- 31 Naomi Klein, *No Logo: Taking Aim and at the Brand Bullies* (New York: Random House, 1999).