The Politics of Global Competitiveness

Paul Cammack
Manchester Metropolitan University

Acknowledgements

I would like to thank Paul Beeckmans, Greig Chamock, Charlie Dannreuther, Denis Murphy, Alex Nunn, Iain Pirie and Sophie Price, both for their comments and for their contribution to the development of the research agenda set out here.
The Politics of Global Competitiveness

A new spirit is abroad in the world – the spirit of global competitiveness. It signals a turning point in world politics that mainstream approaches cannot comprehend. So it is time to abandon IPE (‘international political economy’), shaped as it still is by the baleful influence of the US academy, and approach the global political economy from the perspective of a renewed classical Marxism – a new materialism, fit for the 21st century.

The empirical observation that the dynamics of economic, social, political and cultural change in the contemporary world are increasingly shaped by the pursuit and promotion of capitalist competitiveness provides the starting point for the research programme set out here. Not only are the vast majority of governments around the world explicitly pursuing competitiveness in the global capitalist economy through the reorientation of social and economic policies, but international organisations ranging from the IMF, the World Bank, and the regional development banks to the EU, the OECD, UNCTAD and the UNDP are all busy urging governments everywhere to reform the ‘business climate’ in order to promote investment and domestic entrepreneurship and stimulate competition.

The efforts of these organisations are complemented by and in some instances pursued through an increasing number of old and new civil society actors at global, regional, national and local levels, ranging from the World Economic Forum (WEF) to informal networks of national competition authorities and local agencies set up in cities across the world.

Crucially, the governments of the leading capitalist economies in the world are not pursuing competitiveness for themselves alone. They are actively promoting it too in other countries and regions of the global economy – in the ‘emerging markets’ and low and middle income countries which are their present and future competitors. It is this novel and distinctive feature of the global political economy – the systematic manner in which governments, along with organisations such as the OECD, promote competitiveness far beyond their own frontiers – which demands explanation, and which is the principal object of enquiry of the research programme set out here.

Why is it that the governments of the leading capitalist economies, and international organisations such as the OECD or regional associations such as the EU, are not only pursuing competitiveness for themselves, but also advocating it and actively promoting it for others? And what are the implications for currently dominant approaches to understanding the global political economy?

For the significance of this phenomenon to be grasped, we must put aside the tired and ill-formulated debates that have become the staples of IR/IPE – realism versus liberalism, the neo-neo synthesis, the post-structuralist and constructivist challenges to ‘orthodox’ approaches, the caricatures of ‘Marxist’ approaches that neutralise radical thought, and the feeble and distorting light all this casts upon the contemporary global political economy. The discipline has reached its limits, but happily the points at which it breaks down map the outline of a new materialist understanding.

As a first step towards mapping this new approach, I outline here the elements of the politics of global competitiveness and the ‘convergence club’ model through which it is advanced on what is becoming a genuinely universal scale, then address the implications both for IPE and for future research.

The Sources of Global Competitiveness

On 29 June 2004 OECD Chief Economist Jean-Philippe Cotis spoke in Madrid at an Economist Conference on the topic of ‘Alternatives for stable economic growth: increasing productivity, greater competitiveness, and entrepreneurial innovation’. Taking issue with an article in the Economist [2004] that painted a relatively optimistic picture of European productivity, he argued that the continental European economies were lagging behind, and urgently needed to reform their labour markets and social institutions. Drawing on the conclusions of a recent OECD study [OECD 2003], he argued that to improve the efficiency and productivity of the continental European economies it was
necessary to generate ‘the right kind of competitive pressures’:

Most importantly, product and capital markets are not open enough and therefore not integrated enough to generate the right kind of competitive pressures. This limits the scope for specialization, which brings efficiency gains and productivity improvements. In addition, for a number of continental European economies, the barriers to entrepreneurship manifest by the unfriendly environment for start-ups and relatively high regulatory and administrative burdens are estimated to be among the highest in the OECD [Côtis, 2004: 5].

He went on to contrast the laggards – France, Germany and Italy – on the one hand, and the representatives of ‘best practice’ – the UK and the US for the most part – on the other. His attack was focused on government policies that were ‘keeping out of the labour force people who are capable of working, and often willing to do so’ [ibid: 3], and the moral that he drew was that both labour markets and social institutions needed reform:

The main message from our work is that structural policies that foster a high degree of labour utilisation together with strong productivity play a fundamental role in determining economic performance. Many continental European economies have been found to be wanting on both these fronts, with high unemployment, weak job creation and a secular decline in the number of hours worked per employee. Against this background, reforming labour markets and social institutions is a necessity, in our view, if Europe is to return to stronger growth [ibid].

Spain was not consigned to the laggards’ group, as its rate of growth was relatively high and its progress was promising. But it could not rest on its laurels: it needed to remove incentives in the form of generous state pensions that discouraged people from prolonging their working lives, and reform its tax system to make entry to the labour market more attractive to women.

The Promotion of Global Competitiveness

Less than a year later, on 1 March 2005, Côtis was in London, launching a new initiative, the publication of Economic Policy Reforms: Going for Growth [OECD, 2005]. With scant respect for classical French notions of educational discourse, he asserted that ‘The aim of “Economic Policy Reforms” is not just to be instructive or pleasant to read, it is primarily to be useful and to impact both the public debate and the conduct of public policy’ [Côtis, 2005: 1].

Its publication was meant to address the pressing issue of the ‘premature interruption of economic convergence across OECD economies,’ reflected in poor labour productivity and a 30% gap between GDP per capita in France, Germany or Italy on the one hand, and the US on the other. Systematic international comparison in the form of a benchmarking exercise would enable countries ‘to learn from others and their successes’, and provide ‘a natural way to stimulate economic progress and convergence’. To this end the OECD had developed a set of structural indicators in the areas of labour and product markets. With others to follow, they would make it easier to ‘find out what reflects bad policies as opposed to legitimate societal choices’. The objective was to help governments to make ‘appropriate’ policy choices.

However, he added, ‘Learning to situate oneself in order to improve is not just the business of governments … It is also necessary for the society at large, since there is no successful reform without public opinion support. And in many countries there is a need to win public opinion’ [ibid: 2].

These brief remarks reflect four salient aspects of the ‘politics of convergence’. The first is the development, largely among international institutions, of a set of ‘appropriate policy choices’ seen as
generative of capitalist competitiveness. The second is the use of systematic surveillance, international benchmarking and peer review as the means of promoting the policies concerned to those national governments. The third is the identification of national governments as the agents responsible for implementing change. And the fourth is the insistence that a key part of the task of national governments is to shape public opinion to the logic of global competitiveness.

Finally, underpinning all these points was the perspective offered a year earlier, when Cotis justified openness on the grounds that it created ‘the right kind of competitive pressures’: competitiveness is to be promoted, on as wide a scale as possible, for the disciplines it imposes upon the national economies of the advanced countries themselves.

Today Europe, tomorrow the world

Because competitiveness is promoted in order to render the disciplines of capitalist competition within national economies to ever more inescapable, the politics of global competitiveness is not national or even regional in scope, but global.

Indeed, in launching Going for Growth the OECD was striking out in a what it announced as a new direction. It would draw policy lessons from the experience of the OECD countries, but it would devote its energies to promoting them not only within the OECD itself, but across the rest of the world. As its website now proclaims, in briskly military terms, the OECD is ‘moving beyond a focus on its own countries and is setting its analytical sights on those countries – today nearly the whole world – that embrace the market economy;’ and its objective in doing so is ‘to tightly weave OECD economies into a yet more prosperous and increasingly knowledge-based world economy’ [Box 1.1].

So it was, then, that on 18 September 2006 Jean-Philippe Cotis spoke in New Delhi to the Federation of Indian Chambers of Commerce and Industry. He described the OECD as a ‘convergence club’, ‘the place where policy makers from a wide variety of fields meet together to learn from each other and to emulate best practice’; and he explained the concerns over ‘fading convergence’ among the thirty OECD member economies that prompted the OECD to inaugurate in 2005 ‘a new type of economic surveillance, the so-called benchmarking surveillance’ [Cotis, 2006:1]. The new OECD publication, Going for Growth, he told his audience, would put forward policy lessons not only for its own member countries, but for emerging economies such as India as well.

Here was the Chief Economist of the OECD, then, not on this occasion urging the lagging members of the OECD itself to adopt the ‘best practice’ exhibited by its leading reformers, but rather urging their competitors, the leaders of the Indian business community, to outdo them.

Just what the OECD meant by ’putting the benefit of its accumulated experience

Box 1.1 ‘Capitalist emulation’ at the OECD

After more than four decades, the OECD is moving beyond a focus on its own countries and is setting its analytical sights on those countries - today nearly the whole world - that embrace the market economy. The Organisation is, for example, putting the benefit of its accumulated experience to the service of emerging market economies, particularly in the countries that are making their transition from centrally-planned to capitalist systems. And it is engaging in increasingly detailed policy dialogue with dynamic economies in Asia and Latin America.

But its scope is changing in other ways too. The matrix is moving from consideration of each policy area within each member country to analysis of how various policy areas interact with each other, across countries and even beyond the OECD area. How social policy affects the way economies operate, for example. Or how globalisation will change the world’s economies by opening new perspectives for growth, or perhaps trigger resistance manifested in protectionism.

As it opens to many new contacts around the world, the OECD will broaden its scope, looking ahead to a post-industrial age in which it aims to tightly weave OECD economies into a yet more prosperous and increasingly knowledge-based world economy.

to the service of emerging market economies’ was made clear in the detail of the presentation. Cotis drew out from the OECD’s benchmarking of its own members a preferred model focused on promoting competitiveness across all aspects of the economy.

The package he advocated - a sound, stable macroeconomic environment, public investment in infrastructure and in primary and secondary education, appropriate labour and business regulation, and trade openness – was a familiar one. On labour and business regulation in particular, it was the English-speaking and Nordic OECD countries that were offered as a model. Labour regulation there was ‘typically less strict’ than in the continental European countries, and as a result they were much better able to adapt to major technological innovations. The same countries also had more competitive product markets, and as a result they had ‘enjoyed a pick-up in productivity growth during the 1990s, while countries with more pervasive anti-competitive barriers … experienced a productivity slow down’ [ibid: 3-4].

Against this background, the bulk of the presentation was devoted to issues of labour regulation. Here Cotis drew on the recently revised OECD Jobs Strategy [OECD 2006], first issued in 1994, to offer further lessons along the same lines: the high labour taxes ‘typically found in continental OECD countries’ discourage entry to labour markets; their early retirement benefits encourage early departure from it; and high unemployment benefits ‘reduce employment. Especially when the unemployed do not have a strong obligation to look for jobs’ [ibid: 5].

These policies should therefore be reversed, in order to maximise the supply of labour, and complemented by policies aimed at maximising the demand for workers from employers. Here, again, a familiar neoliberal message was offered. Wages should reflect levels of productivity; minimum wages should be ‘set at levels that do not harm job creation’; payroll taxes should be low; and stringent labour regulation, putting obstacles in the way of hiring and firing, should be avoided.

The specific lessons for India, to be detailed in a forthcoming OECD Economic Survey of the country, were that public expenditure should be restructured to provide more investment in roads, electric power and primary education, and that labour and business regulation should be radically reformed.

In conclusion, Cotis drew attention to the features of reform seen by public choice theorists as making it difficult (diffuse and gradually realised benefits for groups with little lobbying power in contrast with easily identified up-front costs for well organised groups), and offered some handy hints for effective reform based on the OECD’s recent work on the ‘political economy of structural reforms’: first, they should be bunched into packages, so that net losers from one might be net winners from another; and second, product market liberalisation should precede essential but politically difficult labour market reform.

In sum, it is possible to trace, in these snapshots from successive years, a consistent pattern aimed at the dissemination of policies intended to enhance competitiveness throughout the global economy. Underlying it, as noted above, is the notion of a ‘convergence club’.

The significance of this phenomenon for an understanding of the contemporary global political economy is threefold: first, it is a club that all states are urged to join; second, the convergence it seeks is systemic, aimed at the creation of a competitive capitalist economy of global scale, infused throughout by the disciplines of capitalist competitiveness; and third, states are simultaneously the objects and the agents of convergence on the envisaged goal.

The focus of all activity aimed at promoting convergence is policy reform at the level of the national state. In other words, the political economy of global competitiveness is simultaneously systemic and state-centred. Its principal
focus, as shown above, is on subjecting both business and labour to the disciplines of capitalist competitiveness. It is for that reason both that the state is central, and that the logic must operate at a global level if it is to be effective at national level.

At the same time, many ‘civil society’ actors and networks – the Federation of Indian Chambers of Commerce and Industry in this case – are engaged in the process of convergence. As we shall see, such actors and networks are variously lobbied, and lobbying, in support of the agenda of policy reform.

Finally, the convergence club model (Box 1.2) is recursive – in particular, as states become reliable agents, they contribute to the further development of the prescribed policy mix, and to its dissemination. And as its proposed dynamic is universal in scope, and based on the constant striving of all against all, it is in principle a process without end, a ‘perfect machine’ for testing global capitalism to destruction. In the circumstances, it is not a rhetorical flourish to evoke the vision of the Communist Manifesto.

Precisely because the convergence club model reflects a dynamic which is at the same time state-centred and systemic, and rests squarely on the logic of capitalist reproduction, exponents of IPE in its various current formulations cannot grasp it. To do that, we have to appreciate the connections between domestic and supranational politics, and in particular between the empowerment of capital over labour that has been the principal objective of neoliberal reform at national level, and the systematic promotion of global competitiveness by governments and international organisations that has accompanied it. We must begin, though, by tracing at least in outline the emergence of the ‘convergence club’ model.

The convergence club model: a brief history

The OECD’s Going for Growth is one of several contemporary efforts to promote global competitiveness. Such efforts can be dated back to the 1970s and the early days of the ‘neoliberal revolution’, but they have gained particular momentum since the collapse of the Soviet Union set in motion an accelerated phase of expansion.

<table>
<thead>
<tr>
<th>Box 1.2 The convergence club model</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objective</strong></td>
</tr>
<tr>
<td>The creation of a global economy permeated throughout by the disciplines of competitive capitalism (‘the right kind of competitive pressures’)</td>
</tr>
<tr>
<td>A principal focus on the regulation of both business and labour in order to maximise the level of competition in the system as a whole</td>
</tr>
<tr>
<td><strong>Structure</strong></td>
</tr>
<tr>
<td>Increasingly coordinated supranational institutions engage directly and indirectly with states</td>
</tr>
<tr>
<td>The emerging structure is both systemic and state-centred: all states are included, and they are the principal agents of change</td>
</tr>
<tr>
<td>At state level national governments carry out policy reforms and seek to build support for them among citizens</td>
</tr>
<tr>
<td>Civil society-centred international and national networks promote and support state-led policy reform</td>
</tr>
<tr>
<td><strong>Process</strong></td>
</tr>
<tr>
<td>The proposed systemic logic is condensed into a set of ‘appropriate policy choices’</td>
</tr>
<tr>
<td>Convergence on these is promoted by a set of related processes centred on benchmarking, surveillance and peer review</td>
</tr>
<tr>
<td>These together constitute a systemic process of capitalist emulation</td>
</tr>
<tr>
<td>The whole system is recursive: as states become reliable agents, they contribute to the further development of the prescribed policy mix, and to its propagation</td>
</tr>
<tr>
<td>The process is universal in scale, and, in principle, has no end</td>
</tr>
</tbody>
</table>
of the global capitalist economy. Although I have spent some time in recent years exploring the origins and trajectory of a number of initiatives in these areas I cannot offer a comprehensive account of their evolution here (that being one of the prospective outcomes of this research project). However, the period around 1979-1980 is clearly important, with the elections of Thatcher in the UK and Reagan in the United States in quick succession leading to the implementation of class projects aimed at reasserting the power of capital over labour [Cammack, 2002a].

The continental European countries were seen as laggards, then as now. In fact the first Global Competitiveness Report, published by the World Economic Forum in 1979, focused on 16 European economies, although it was not until 1986 that the Single European Act set in motion the process leading to the single market. The continental European economies remain the focus of the politics of competitiveness today, but as its scope has widened, new competitive forces beyond Western Europe have been harnessed in the effort to speed the process of change in Western Europe itself.

These forces have been unleashed by two related developments, mutually reinforcing after 1990. The first is the imposition of discipline on the countries of the Third World through the way in which the ‘debt crisis’ of the 1980s was exploited by the international institutions and their allies. The second, of course, is the reintegration of the Soviet Union and former Eastern Europe into the global capitalist economy. It is from 1990 that the clearest evidence begins to accumulate of concerted action by regional and international organisations to promote capitalist competitiveness on a global scale.

Since that time the World Bank has been systematically engaged in promoting the proletarianisation of the world’s poor (their equipping for, incorporation into and subjection to competitive labour markets) and the creation of an institutional framework within which global capitalist accumulation can be sustained, while simultaneously seeking to legitimate the project through policies of controlled participation and pro-poor propaganda [Cammack, 2001a]. The series of World Development Reports from 1990 on is of fundamental significance in this respect. At the same time as calling on the world’s poor to work their way out of poverty for one or two dollars a day, they developed complementary policies intended to reorient state activity in support of the market, and shape the delivery of services to the its logic. And they called explicitly from the beginning for the coordination of the activity of all agencies concerned with aid and development, in order to ensure unity around the demand for the promotion of market-friendly policies [Cammack, 2002b]. Before the turn of the century the World Bank had produced its ‘Comprehensive Development Framework’ and persuaded the IMF to revise its approach to conditionality in order to tie heavily indebted poor countries to the policy matrix and continual surveillance to which it was linked. The vehicle through which low income countries were engaged, Poverty Reduction Strategy Papers to be ‘agreed’ and voluntarily implemented by national governments, perfectly reflected the centrality of those governments to the process and their simultaneous subjection to an uncompromising global logic – a case, perhaps, of poor countries being clubbed into convergence [Cammack, 2002c].

The principal objective of this sustained effort was the systematic transformation of social relations and institutions in the developing world, in order to generalise and facilitate proletarianisation and capitalist accumulation on a global scale, and build specifically capitalist hegemony through the promotion of legitimating schemes of community participation and country ownership. The principal elements of the project were developed under the joint patronage of James Wolfensohn and Joseph Stiglitz – the latter the exponent not of a benign reformism at odds with the cold logic of the IMF, but of a ‘deep interventionism’ intended to bring about more fundamental and irreversible change [Cammack, 2004]. It reached its apogee, however, only with the Machiavellian Sir Nicholas Stern, successor to Stiglitz at the Bank as Chief Economist, and the architect of the current phase of the project, with its emphasis upon building better climates for investment [Cammack, 2006a: 337-9]. The title of the 2005 World Bank World Development Report, A Better Investment
Climate for Everyone, precisely captured the global perspective of the project [World Bank 2004]. It is not surprising, given the significance of the reintegration of the economies of former Eastern Europe into the global capitalist economy, that the European Bank of Reconstruction and Development (where Nicholas Stern was chief economist from 1994 to 1999) played a parallel role in the promotion of competitiveness. The May 1990 agreement establishing the Bank declared that its purpose was ‘to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative in the Central and Eastern European countries committed to and applying the principles of multiparty democracy, pluralism and market economics’ [EBRD, 1990]; and in 1999 the Bank adopted an operational strategy, ‘Moving Transition Forward’, which reflects key aspects of the convergence club approach: echoing the World Bank’s Comprehensive Development Framework, it argued that the ‘primary responsibility for shaping the response to the transition challenges’ lies with the countries of the region themselves, and they are urged to foster investment, entrepreneurial and market skills and build popular support for them, while the IFIs and the international community will play a crucial supporting role [Cammack, 2006a: 335-6].

The OECD ‘Jobs Strategy’ of 1994, highlighted to the left [OECD 1997-8: 7], shows the same emphasis, and underlines the comprehensive character of the politics of competitiveness as it emerged in the 1990s. By February 1998, when the OECD was invited to submit a background paper to the G8 Growth, Employability and Inclusion conference held in London, its Economics Department had carried out a comprehensive review of the experiences of its member countries, and concluded that ‘at this stage enough is known to permit countries to take further action to reduce unemployment. The constraints on such action today lie mostly in the political sphere’ [OECD, 1998]. This would be the context in which strategies to propagate the ‘appropriate’ policies would develop in the present century.

The circumstances outlined above – the laggardly response of the economies of continental Europe to the new challenge of global competitiveness and the prospect of a new field of expansion and source of competition to the East, explain too why the European Union and its Commission have been prominent actors alongside the OECD and the World Bank. Following the entry into force of the single market on 1 January 1993 the Copenhagen Council meeting in June set in motion the process

---

**Box 1.3: OECD Jobs Strategy**

- Set macroeconomic policy such that it will both encourage growth and, in conjunction with good structural policies, make it sustainable, *i.e.* non-inflationary.
- Enhance the creation and diffusion of technological know-how by improving frameworks for its development.
- Increase flexibility of working-time (both short-term and lifetime) voluntarily sought by workers and employers.
- Nurture an entrepreneurial climate by eliminating impediments to, and restrictions on, the creation and expansion of enterprises.
- Make wage and labour costs more flexible by removing restrictions that prevent wages from reflecting local conditions and individual skill levels, in particular of younger workers.
- Reform employment security provisions that inhibit the expansion of employment in the private sector.
- Strengthen the emphasis on active labour market policies and reinforce their effectiveness.
- Improve labour force skills and competencies through wide-ranging changes in education and training systems.
- Reform unemployment and related benefit systems – and their interactions with the tax system – such that societies’ fundamental equity goals are achieved in ways that impinge far less on the efficient functioning of the labour markets.
- Enhance product market competition so as to reduce monopolistic tendencies and weaken insider-outsider mechanisms while also contributing to a more innovative and dynamic economy.

Source: Blondal and Scarpetta, 1997-8, p. 7.
that would lead to the publication of the
White Paper on Growth, Competitiveness
and Unemployment in December, and at
the same time pledged EU support for the
countries of former Eastern Europe as they
pursued EU membership. In his address to
the Council, Commission President Jacques
Delors, called for a programme of renewal:
greater integration of the single market,
measures to boost investment, reduced
taxes on labour, and more active labour
market policies [European Council, 1993,
Annex 1]. Here, then, the promotion of
competitiveness within the European Union
went hand in hand with its promotion
beyond its borders, as the Council set out
a framework for dialogue and consultation
with the associated countries of Central
and Eastern Europe towards membership,
intended to secure their full integration
into the single market.

The relevant passage from the main
Council report 'underlined the importance
of approximation of laws in the associated
countries to those applicable in the Comm-
unity', and 'agreed that officials from the
associated countries should be offered
training in Community law and practice'
[ibid: 15].

The ‘famous Delors White Book’, which
the Directorate for Employment and Social
Affairs describes as ‘the ideological, politi-
cal and analytical base upon which a co-
dordinated European approach to employ-
ment was to be developed’, is seen by the
Commission itself as the starting point for
a new approach. It leads directly to the
European Employment Strategy and the
open method of coordination’, which make
up together, in content and process, the
‘convergence club model’ described here.
Its origins are traced back to the Essen
strategy of 1994 and the Amsterdam
Treaty of 1997 (which obliges members
and the community ‘to work towards
developing a coordinated strategy for
employment and particularly for promoting
a skilled, trained and adaptable workforce
and labour markets responsive to eco-
nomic change’), and from there to the
‘open method of coordination’ itself, the
root institutional form of the convergence
club model.

The open method of coordination, as it
emerged along with the European Employ-
ment Strategy, has five key principles:
subsidiarity, convergence, management by
objectives, country surveillance and an
integrated approach. It may be noted that
in the text that follows the first listing of
the five key principles [Box 1.3] ‘country
surveillance’ disappears, while the means
of surveillance appear under ‘management
by objectives’, while ‘mutual learning’
appears as a key principle. The point that
surveillance, benchmarking and mutual
learning form a synergistic whole could not
be better made.

The significance of the open method of
coordination is that it is a supranational
strategy for engaging national govern-
ments in reforms intended to promote
competitiveness for themselves and across
the region as a whole. Interpretations that
abstract away from its origins in a broadly
conceived employment strategy ‘by no
means restricted to active labour market
policies but extend[ing] to social, educa-

---

**Box 1.3: The Open Method of Coordination**

The EES (European Employment Strategy) initiated a new working method at EU level,
which was to become known as the 'open method of co-ordination'. It is based on five
key principles: subsidiarity, convergence, management by objectives, country
surveillance and an integrated approach.

**Subsidiarity:** common objectives and outcomes are defined at supranational level, with
states responsible for the detailed content of action.

**Convergence:** commonly agreed outcomes are to be achieved through concerted
action, in which each state contributes towards raising the overall performance.

**Management by objectives:** the use of quantified measurements, targets and
benchmarks, to allow for a proper monitoring and evaluation of progress.

**Mutual learning:** the exchange of good practice and experience is a core objective.

**Integrated approach:** structural reforms are to be pursued not through isolated and
dispersed actions or measures, but consistent and concerted action over a wide range
of policies and measures.

tional, tax, enterprise and regional policies’ simultaneously abstract away from the real content of global politics in the 21st century. In doing so they close off access to the insight that it is specifically the logic of global competitiveness that makes approaches which counterpose the states and supranational institutions misleading and obsolete.

**The politics of convergence in the 21st century**

We need a new approach, then, in order to grasp the dynamics of global politics in the 21st century. The starting point is to track the speed with which the convergence club model sketched out above has become global in scope. It is not just that the focus on competitiveness has become all but universal, but also that the mechanisms through which it has been pursued in the European context – the politics of benchmarking, country surveillance and ‘mutual learning’ – have proliferated just as quickly.

Three brief examples – on which I have written elsewhere – hint at the ubiquity of the politics of competitiveness today:

- Since 2001, when the IDB (Inter-American Development Bank) devoted its annual report to the topic of *Competitiveness: the Business of Growth* [IDB, 2001], the efforts of Latin American countries to improve their competitiveness have been actively supported by the IMF, the World Bank, the IDB, the EU, the OECD and UNCTAD. A Latin American Competition Forum has met annually since 2003, supported by the IDB and the OECD, and has sponsored peer reviews of competition policy in Chile, Peru, Brazil and Argentina [Cammack, 2004b].
- In 2004, following the setting up in 2002 of NEPAD (the New African Partnership for Development) with the support of the G8, UK Prime Minister Tony Blair assembled a Commission for Africa. Its 2005 report not only echoed the approach developed by its Director of Research, Sir Nicholas Stern (now Chief Economist at the UK Treasury) at the EBRD and the World Bank, but also showed the close parallels between the promotion of competitiveness in the UK itself and by UK agencies and IMF-World Bank networks in Africa [Cammack, 2006a].
- Other recent research adds significantly to the picture:
  - Dannreuther argues that ‘member states of the EU have always depended upon the supranational institutions to regulate economic stability while relying on domestic institutions to regulate social stability’ [2006: 186], and traces the origins of multi-level consultation, benchmarking and the Open Method of Coordination to the promotion of small and medium enterprises (SMEs) by European Parliament’s Committee on Industrial and Monetary Policy, which made 1982 the ‘European Year of the SME’ [ibid: 197].
  - Nunn and Price [2004] similarly show how the EU, through the successive reforms which led from the first Lomé Agreement in 1975 to the Cotonou Agreement of 2000, pioneered some of the key mechanisms of convergence on global competitiveness – from the promotion of African SMEs in the mid-1980s to the Economic Partnership Agreements (EPAs) that are the central feature of the Cotonou Agreement. The EPA, which commits the EU’s ACP partners to remove barriers to trade and attain full WTO compliance, makes the Agreement a perfect ‘convergence club’.
  - Charnock [2006] shows how the World Bank’s vision of itself as a would-be ‘world executive committee’ promoting global competitiveness was played out both through the publications of the Office for the Chief Economist for Latin America and the Caribbean, and the Bank’s involvement in the national reform process in Mexico. As he notes, this ‘aspirant “world executive committee” remains totally dependent on national states to “operationalise” these reform agendas’ [ibid: 75].
  - Pirie [2005, 2006a, 2006b] tracks the path of the Korean state from the crisis of the late 1990s, tracing its transformation and its institutionalisation of a comprehensive neo-liberal regulatory regime. He shows that the ‘new Korean’ state, always committed to developing global competitiveness in key areas, is determined to impose the disciplines of the global market in all aspects of social and economic life. Key reform efforts date from the mid-1980s and mid-1990s, but it was the ‘Asia crisis’ that provided the opportunity for thorough-going reform.
These examples provide clear evidence that the promotion of competitiveness has become a central concern for a range of international actors and institutions, some of them unlikely candidates for the role, as well as for states. They suggest that regimes of governance developed within the European Union, initially for its own members, are of crucial importance; that the promotion of convergence is now genuinely global in scale; and that it is national states, supported and disciplined by global regimes of governance, that are unequivocally the principal agents in the process.

In addition, the examples above reflect the spread at regional and national levels of the instruments of the convergence club model. The rapid spread of surveillance, benchmarking and peer review, through coercive or cooperative supranational mechanisms, and close coordination between national competition authorities is a significant indicator of the extent to which broader global initiatives reach down through different networks and levels of governance. Above all, in every case, the ultimate focus is upon the character and effectiveness of the agency of the (transformed) national state.

This is the broader context, then, in which we should approach contemporary supranational initiatives which centre on surveillance, benchmarking, and mutual learning, and reflect the convergence club approach (such as the World Economic Forum’s Global Competitiveness Report, the EU’s Lisbon Agenda, and the World Bank’s Doing Business series). Each in its way reflects the current state-of-the-art of convergence club politics.

The Global Competitiveness Report is intended, the WEF says, ‘to help national economies improve their competitiveness’ [http://www.weforum.org]. As noted above, its first Report, produced in 1979, covered only 16 European countries. The 2006-07 report, the latest in the series, covers 125 countries and introduces a new Global Competitiveness Index with over 90 variables, reflecting in full the elements of the ‘convergence club model’ outlined here, and showing how the system of mutual learning and surveillance has been perfected in recent years. Whereas the old index had 35 variables and covered only three ‘key drivers of growth’ (macro-economic environment, quality of public institutions, and technology), the new index adds in a wider range of factors ‘seen as important determinants of competitiveness’, such as the functioning of labour markets, the quality of a country’s infrastructure, the state of education and public health, and the size of the market’ [ibid]. Behind all the jiggery-pokery that this entails, the principal purpose of the annual league tables is to support national reformers, aiding and abetting the social/socio-psychological process of ‘locking in’ described by Nunn and Price [2004: 207].

The trajectory of the Lisbon Agenda, launched by the European Commission in 2000, confirms the salience of national governments as ‘champions of reform’ in the convergence process. Set up to make Europe ‘the most dynamic and competitive knowledge-driven economy in the world’, the programme was relaunched in 2005, in response to the Kok Report [European Commission, 2004], with national governments now placed at the centre of the implementation process. National reform programmes were then produced by each member state in October 2005, setting in motion a process of scrutiny and review which perfectly embodies the politics of convergence and capitalist emulation [http://ec.europa.eu/growthandjobs].

In turn, the Lisbon agenda is only the most visible of the torrent of initiatives that have built upon the small beginnings traced by Dannreuther to 1982. The series of Competitiveness Reports from 1997, the 1999 Action Plan to Promote Entrepreneurship and Competitiveness highlighted below, the proliferation of sectoral indicators of competitiveness, and the

“Promoting entrepreneurship and innovation has moved centre stage in European enterprise policy. The creation of a business environment that encourages the creation and growth of new businesses and new sectors is a key to improving the competitiveness of Europe’s economy”

Scoreboards benchmarking enterprise and implementation of the single market all reflect the European Commission’s leading role in the process.

The World Bank’s Doing Business series, launched in 2004 to support the Bank’s private sector development agenda, offers further evidence of the proliferation of the ‘convergence club’ approach. Its promotion of regulation as a means of securing a good business environment with competitive labour and product markets is intended to encourage poor countries to learn from and emulate rich ones [World Bank, 2004: 83]. In pursuit of this goal it uses benchmarking to motivate reforms in the regulatory environment for business in developing countries, to inform the design of reforms, to provide data on which monitoring could be based, and to inform regulatory theory [Box 1.4].

Wherever one looks, then, one finds international organisations engaged in the promotion of a comprehensive set of reforms intended to equip all countries to compete in the global economy. And as we shall see in the following section, their efforts are supplemented by a second tier of specialist agencies and networks that link government agencies across the world with responsibility for competition policy.

**Competition Networks**

Networks concerned with the cooperative promotion of competition through the sharing of best practice, peer review and other similar instruments of capitalist emulation have proliferated over recent years. The OECD’s own Global Forum on Competition, meeting annually since 2001, is a leading example – the Latin American Competition Network mentioned above is an offshoot from it. Another is the US-inspired International Competition Network, a product of the Global Forum for Competition and Trade Policy, founded by the International Bar Association in 1991. The International Competition Network, set up with the support of European Commissioner for Competition Mario Monti, was set up to provide an informal forum

---

**Box 1.4 What does Doing Business aim to achieve?**

- **Motivating reforms through country benchmarking**

  Around the world, international and local benchmarking has proved to be a powerful force for mobilizing society to demand improved public services, enhanced political accountability, and better economic policy. Transparent scoring on macroeconomic and social indicators has intensified the desire for change—witness the impact of the human development index, developed by the United Nations’ Development Programme, on getting countries to emphasize health and education in their development strategies. The Doing Business data provide reformers with comparisons on a different dimension: the regulatory environment for business.

- **Informing the design of reforms**

  The data analyzed in Doing Business highlight specifically what needs to be changed when reforms are designed, because the indicators are backed by an extensive description of regulations. Reformers can also benefit from reviewing the experience of countries that perform well according to the indicators.

- **Enriching international initiatives on development effectiveness**

  Recognizing that aid works best in good institutional environments, international donors are moving toward more extensive monitoring of aid effectiveness and performance-based funding. The U.S. government’s Millennium Challenge Account and the International Development Association’s performance-based funding allocations are two examples. It is essential that such efforts be based on good-quality data that can be influenced directly by policy reform. This is exactly what Doing Business indicators provide.

- **Informing theory**

  Regulatory economics is largely theoretical. By producing new indicators that quantify various aspects of regulation, Doing Business facilitates tests of existing theories and contributes to the empirical foundation for new theoretical work on the relation between regulation and development.

for competition authorities from around the world to identify and promote ‘best practice’. The Statement of Missions and Achievements issued at its May 2006 Annual Conference proclaims its objective as to promote convergence in competition laws and practices through cooperation between agencies. Notably, the network is concerned not only with the harmonisation and enforcement of competition law, but also with advocacy: the promotion of competition culture ‘by influencing those outside the competition agency (in government and in the private sector) to implement pro-competitive policies and practices’ [Box 1.5].

**The deep agenda of competitiveness**

The European Union is a major source of the global politics of competitiveness, in spite (or more likely because) of its rather conspicuous absence among some of its leading economies. But within the EU it has been successive British governments that have made the running in promoting the disciplines of competitiveness at both national and regional levels. The theme was prominent from the beginning of the Blair government – in the 1998 DTI White Paper on competitiveness [Cammack, 2006: 344], and in the successive 1997 and 2000 White Papers on Development [Cammack, 2001b]. It has been apparent in the stance of the Treasury throughout the tenure of Gordon Brown, and it has run seamlessly through domestic and foreign policy alike.

This is strikingly apparent in two recent documents, a Treasury pamphlet on the case for open markets, published in April 2006, and the Development White Paper brought out by DFID two months later. As the parallel excerpts highlighted below suggest, both embody the politics of global competitiveness as outlined here. Brown values the single market for its domestic effects as an enforcer of competitive behaviour, and New Labour’s foreign policy unswervingly exhorts governments around

---

**Box 1.5 The ICN: Its Goals and Working Methods**

Competition agencies carry out two main functions: enforcement of the competition laws that apply in their jurisdiction, and advocacy, which involves promoting competition culture by influencing those outside the competition agency (in government and in the private sector) to implement pro-competitive policies and practices. The main goal of the ICN is quite simply to achieve better competition enforcement and better competition advocacy. Two main routes to this end are available: convergence in competition laws and practices, and co-operation between agencies. ... The ICN works to promote sound and principled procedural and substantive standards that help minimize such burdens and leave pro-competitive, efficiency enhancing conduct free to flourish.


---

“The creation of the Single Market was one of the defining economic achievements of the EU. By removing cross-border barriers to trade, it has helped to strengthen competitive pressure in Europe, putting downward pressure on prices, promoting enterprise and growth, and ensuring that resources are moved quickly towards the most productive areas”

HM Treasury, 2006, p. 9, para. 33.

“It is the private sector – from farmers and street traders to foreign investors – that creates growth. Growth is fuelled by the creativity and hard work of entrepreneurs and workers. But as the Commission for Africa emphasised, it is governments that are in a position to make markets and competition work, by taking the lead in making business easier and less expensive, and determining the level of regulation”

DFID, 2006, p. 58, para. 5.5.
the world to promote competitiveness. The broader implications for an understanding of the relationship between states and international institutions is made explicit in terms which make IR/IPE approaches to the state, and the ‘statism’ which is generally their counterpart in the analysis of domestic policy, entirely redundant:

Instead of simply reaching political agreements on timetables for liberalisation and market-opening legislation, Europe needs a process in which all sectors which fail to liberalise and open up to competition are subject to independent investigation and enforcement, undertaken free from national political interference. Where national practices are found to provide barriers to the Single Market, the necessary regulatory, structural and competition-law based remedies must be applied to drive up the levels of competition [HM Treasury, 2006, p. 10, para. 39].

This is the logic of the politics of global competitiveness at national level – at least in those governments squarely committed to its logic as the British government has been. It is not a paradox that the government which hired Sir Nicholas Stern as its Chief Economist and commissioned him to write the report of the Commission for Africa should both seek to ‘surrender its sovereignty’ to Brussels in order to impose all the more effectively the disciplines of global capitalist competitiveness, nor that it should simultaneously draw on data from the World Bank’s Doing Business reports in the Development White Paper to urge developing countries to compete and converge [DFID, 2006: para. 5.9, p. 60].

Conclusion

I set out here with two questions: why is it that both the governments of the leading capitalist economies, and international organisations such as the OECD or regional associations such as the EU, are not only pursuing competitiveness for themselves, but also advocating and promoting it for others? And what are the implications for current approaches to understanding the global political economy?

The first question is easily answered – they believe that the disciplinary forces that global competitiveness will unleash are vital to the continued sway of capital over labour in their own economies, and to the continued pressure on capital to seek to be ever more competitive. In other words, global competitiveness is to be promoted because it is the key to the maintenance and reproduction of capitalist hegemony within the advanced capitalist countries themselves.

And in saying that, we are saying something that the disciplines of IR and IPE are set up to exclude: that domestic politics drives global politics, and that in the contemporary world, in which domestic politics revolves ever more around the need to install the logic of global capitalist competitiveness at the heart of the domestic political economy, it is class relations, or class struggle, which shapes both domestic and global politics.

The answer to the second question follows. Approaches that do not start from this insight cannot understand or explain the contemporary world. Only a renewed classical Marxism, attuned to the circumstances of the contemporary world, can and does. But in order to do so, it must be more rather than less ‘classical’ in its orientation – in other words, more rather than less focused on the themes of accumulation and the realisation of value through capitalist exploitation.

It remains to give an indication of what this might entail, in terms of implications for current debates, and outlines for a new research agenda.

Implications

I asserted at the outset that the points at which IR/IPE approaches break down ‘map the outline of a new materialist understanding of global politics. The point is neatly illustrated by Cerny’s recent review of work by Brenner and Jessop. Cerny is out to persuade us that these authors are ‘hampered by the remnants of classical Marxist analysis they retain’, and is particularly hard on the economic determinism he finds lurking in Jessop’s work. However, he can neither decide what he wants to put in its place, nor offer an alternative interpretation of global politics today. He argues, against the economic determinists, that capitalism is ‘what actors make of it’, but allows all the same that they make of it pretty much what Brenner and Jessop say they do:

The co-constitution of state restructuring owes more to political projects that reshape
market scale and market structure – altering the conditions for the creation of value and even creating value from market processes themselves – than to the extraction of surplus value from the commodification of labour-power in the process of production [Cerny, 2006: 693].

Cerny argues that such projects can be explained by non-Marxist variables – the expansion of the market and ‘competitive market behaviour’, impelled in turn by the politics of embedded liberalism. But he sketches a process in which opportunistic actors ‘are forced to be competitive’ in a process that expands to a global scale as ‘actors in other geographical settings emulate market behaviour’ [ibid: 684]. In other words, he relies on the same structural determinism himself. He is caught, in other words, arguing that states are being transformed by the logic of competitiveness, but maintaining that this is a consequence of agency rather than determinism – only to restore determinism a step further back. It is not surprising that, as demonstrated here in the analysis of the content of convergence club politics, the ‘political projects that reshape market scale and market structure’ in the contemporary world do indeed reflect the logic of capital accumulation and the extraction of surplus value. Cerny, however, does not explore them, falling back instead, in blatant contradiction of what has gone before, on the claim that there is no clear logic to contemporary political projects, but rather

a kind of neomedieval world order emerging of competing institutions, overlapping jurisdictions, multiple identities, territorial flux and the reduced capacities of states to provide order and security .., but there are other possibilities too [ibid: 694].

The rejection of classical Marxism lead him straight into a formless void.

A second example may be taken from the recent issue of the *Journal of European Public Policy* devoted to the EU and the new trade politics, which is riddled with contradictions and dead ends. These are overcome if what Young and Peterson see as the ‘intrusion of the multilateral trade agenda behind borders’, or a ‘deep trade agenda’ [2006: 795] is seen instead as a deep *competitiveness* agenda, originating in concerns directly related to class struggle and capitalist discipline that are increasingly salient ‘beyond-the-borders’ because the development of capitalism on a global scale has entered a new phase. Young and Peterson remark in passing that Post-1997 British governments under Tony Blair particularly pushed a development agenda .., even being cautious in their support for environmental and labour standards lest they harm developing countries’ competitiveness [ibid: 806].

But they do not analyse the Blair agenda further, so fail to notice the way in which this policy stance reflected an over-riding concern with competitiveness for Britain itself, from which its agenda for the developing world derived.

It is left to Damro to note the spread of competition laws, agencies and authorities over recent years, and the wide range of international organisations engaged with them, but he adopts a ‘statist’ framework within which he is content to attribute the activity of convergence and cooperation around competition law he describes to the policy preferences of EU managers, who, it seems, just want a quiet life. Any deeper forces driving the process go unnoticed [Damro, 2006; see Cammack, 1990, for a critique of the approach]. He is right to make the link between trade policy and competition policy, but his analysis runs into trouble precisely at a point that shows the power of the materialist analysis advocated here, focused on the commitment of governments to the maintenance and enforcement of the disciplines of capitalist competitiveness. For he finds, paradoxically at first glance, that it was DG Trade (under Sir Leon Brittan) rather than DG Competition that wanted the WTO Dispute Settlement Mechanism to apply to national competition legislation. His feeble explanation is that it would have been too much trouble for DG Competition:

With its binding mechanisms and linkages to various trade issues, the WTO proved the least conducive venue through which DG Competition could promote international competition policy [Damro, 2006: 882].

He then argues, just as feebly, that DG Trade was interested in competition not for itself, but ‘as a means to open markets and prevent private barriers from replacing public (tariff) barriers to trade’ [ibid], as if this explained why the WTO was the right route for them but the wrong one for DG
Competition. In fact, he is a victim of two complementary barriers to understanding. First, he starts from the preferences of ‘supra-state’ managers rather than from the logic of capitalist competitiveness; and second, he operates within an analytical framework which treats the international or global level as separate from domestic politics. As always in such cases, the logic needs standing on its head. He could have looked to the contribution in the same issue from Shaffer, who says that in 1996 Sir Leon Brittan, the EU’s liberal Trade Commissioner at the time, officially announced the Market Access Strategy not before an audience of member state bureaucrats, but at a business symposium to which he invited executives from major EU exporting companies [Shaffer, 2006: 835].

Sir Leon looks more like an instrument of the bourgeoisie than an autonomous state actor. But traced back, his commitment to the promotion of trade had its roots in a larger project, unexplored by Damro or Shaffer, of Thatcherite neoliberal reform, which leads directly (though Thatcher would not have welcomed it) to Brown’s insistence that EU competition law should over-ride ‘national political interference’. It is the politics of systemic competitiveness that explains the deeper roots of the new trade agenda.

Towards a new research agenda
The research agenda which emerges from the politics of global competitiveness set out here and the convergence club model arising from it is extensive. In theoretical terms it suggests the need to break with the orientation and assumptions of current orthodox approaches within IR and IPE, especially where they dissociate national from international politics and counterpose the state to supranational institutions. And in empirical terms, it suggests that far more investigation is needed into the roots, trajectory and orientation of ‘convergence club’ politics. In particular:

• It confirms the value of the application of key themes from classical Marxism to the contemporary global political economy: a focus on the ‘governance of global capitalism’ [Cammack, 2003].

• It suggests that insofar as state theory remains central, the focus should be on the transformation of national states, not on the emergence of a ‘transnational state’.

• It identifies the issue of inequality as central to the development of capitalism on a global scale, not as an unfortunate by-product, but as a structurally determined feature of the process. And it locates the roots of inequality not in relations between states, but in capitalist exploitation.

• It identifies the European Union rather than the United States as the principal site of the politics of global competitiveness and the efforts to disseminate it.

• It provokes the need for further research into the relations between the EU, the OECD, the various agencies of UN system, the Bretton Woods institutions and the multilateral banks.

• It provides a framework for the analysis of regional and national development projects across the world, and for comparative work building upon it.

References
Cammack, Paul. 2002b. ‘Attacking the Poor’, New Left Review, 2/13, Jan-Feb, 125-134.
Cammack, Paul 2002b. ‘Attacking the Poor’, New Left Review, 2/13, Jan-Feb, 125-134.


Damro, Chad 2006. 'The new trade politics and EU competition policy: shopping for convergence and cooperation', *Journal of European Public Policy*, 13, 6, 867-886.

Dannreuther, Charlie 2006. 'Regulation theory and the EU', *Competition & Change*, 10, 2, 185-205.


Economist 2004. 'Mirror, mirror on the wall', 17 June.


European Council 1993. 'Conclusions of the Presidency', 21-22 June, SN 180/1/93 REV 1


OECD 1998. 'Submission by the OECD to the G8 Growth, Employability and Inclusion Conference', *Economics Department Working Papers*, 190, ECO/WKP(98)3


