

# THE GLOBAL PANOPTICON?

## The neo-liberal state, economic life and democratic surveillance<sup>1</sup>

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One impoverishes the question of power if one poses it simply in terms of legislation and constitution... the state and the state apparatus. Power is ... more complicated, dense and pervasive... It's impossible to get the development of productive forces characteristic of capitalism if you don't get at the same time have apparatuses of power... The system of power takes a pyramidal form. [The apex] and the lower elements of the hierarchy stand in a relationship of mutual support and conditioning... The bourgeoisie... construct[ed] machines of power allowing circuits of profit, which in turn re-inforced and modified the power apparatuses in a mobile and circular manner... techniques of power are invented to meet the demands of production... in the broadest sense - it can be a matter of the "production" of destruction, as with the army... The power of the bourgeoisie is self-amplifying, in a mode not of conservation but of successive transformations.<sup>2</sup>

### Introduction

Many of the dominant discourses and practices of world order appear to be constituted by what I call "disciplinary neo-liberalism". This discourse contains elements of a "new constitutionalism": new legal and constitutional practices, linked to the reconstitution of capital (and labour) on a world scale.<sup>3</sup> It also involves new innovations in workplace and everyday forms of social control and discipline. That is to say, there are connections between the processes of economic globalisation, and the way the outlook, expectations and social choices of individuals and groups are being re-shaped and reconfigured.

The power of capital, and the capitalist state, operates at both macro- and micro-levels both within and across different territorial jurisdictions. One key element of the emerging world order is the contradictory growth in the structural power of capital, notably internationally

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<sup>1</sup> Published in Alternatives Volume 20, Number 1, Spring 1995: pp 1-49. This is an uncorrected pre-proof version provided for personal use only – not for further reproduction.

<sup>2</sup> Michel Foucault, Power/Knowledge: Selected Interviews and Other Writings. Edited by Colin Gordon, Translated by Colin Gordon, et al. (New York, Pantheon Books, 1980), pp 158-60. My emphasis.

<sup>3</sup> Stephen Gill, "The emerging world order and European change." In R. Miliband and L. Panitch (Eds.) The New World Order. Socialist Register 1992. (London: Merlin Press, 1992), pp.157-96; and Stephen Gill, "Economic Globalization and the Internationalization of Authority: limits and contradictions." Geoforum, 23 (1992) pp. 269-84.

mobile capital. By “structural” I mean in the sense that Braudel wrote of historical structures: the cumulative patterns of discrete but interrelated actions by individuals which may become institutionalised over time. These patterns of actions, expectations and institutions form the social structures that shape “the limits of the possible” for different groups, classes, and nations - limits which are shaped by, and therefore change as a result of, collective human action in the making of history.<sup>4</sup> Here it is important to take account of social forces challenging the ethics and social implications of disciplinary neo-liberalism - and not all of these forces are progressive. Indeed many are associated with reaction, authoritarianism and neo-fascism.

This essay sketches selected aspects of these tendencies, especially with respect to mutations in state and civil society. In particular I highlight a neo-utilitarian aspect to the restructuring of state forms and world order possibilities. Other tendencies are related to the innovation and intensified application of practices of surveillance in the political economy, or “panopticism”. These involve new levels of technological sophistication applied instrumentally, for purposes of social control. For our purposes we can treat the panopticon as a dystopia latent in modernity: the possibility of developing a system of control that reduces the individual to a manipulable, and politically at least, a relatively inert commodity.

The introduction of information technology in general, and surveillance capabilities in particular, in the context of the growing influence of neo-liberal discourses, is often introduced by, and may favour internationally-mobile fractions of capital - especially corporate capital and financial services firms. The tendency of these fractions of capital is to both deepen their activity within civil society and the economy, and to internationalise as they seek to maximise profits and offset risks. The use of surveillance and sorting techniques for maximising knowledge about, and influence over workers, savers and consumers appears to be growing. At the same time, when surveillance and information technologies are introduced in the workplace (and in the wider society) they tend to provoke both resistance (e.g. neo-Luddism) and nihilism (e.g. computer hackers using Pentagon computers to store pornography). These technologies also offer some democratic potential if used with appropriate processes of accountability and in the context of democratic controls.

Another key impetus for the widening use of surveillance techniques is the internal and external response of certain political elements in the state apparatuses to problems

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<sup>4</sup> Fernand Braudel The Structures of Everyday Life: The Limits of the Possible. Civilization & Capitalism 15th-18th Century, Volume 1. Translated by Siân Reynolds. (New York, Harper & Row, 1979).

associated with economic globalisation and inter-state rivalry, and in particular the perception of the loss of control, regulatory effectiveness or indeed authority over economic activity within national boundaries. Whereas mobile capital is associated with the interdependence (or capitalist) principle of world order, the territorial and political logic of state surveillance is often associated with the reinforcement or persistence of nationalist blocs and security complexes. Such blocs may seek to restrict or to channel the freedom and mobility of such capital for reasons of national security.

Postmodernist ideas concerning power and surveillance have something to offer here - for example Foucault's notion of "capillary power" operating at the level of the individual. However, to make sense of social forces driving the transformation we need a more historicist and structural form of analysis, which is sensitive to the new dynamics of change, and has an adequate means for integrating capital into the question of power. However, to accept Foucault's definition of the power of capital (the bourgeoisie) as "self-amplifying" (see the above quotation) would not only mean defining the power of capital in an unproblematic and non-dialectical manner (since capital, by definition, is constituted and given social identity by a class relation: capital presupposes labour and indeed in the above quotation Foucault implicitly acknowledges this). To accept Foucault's definition would also, in effect, suggest that we were moving towards the "end of history" - indeed Foucault's work suggests that this occurred long before the western triumphalists of the late 1980s began to appropriate Hegel. This definition would mean that we lived our history as if there were a single agent of change (the bourgeoisie) and that the power of this agent would continue to unfold, as it were, teleologically. So in some ways this essay can be read as a contribution to a constructive critique of neo-Foucauldian interpretations of what one influential British sociologist has called "advanced liberalism".<sup>5</sup>

Whilst panoptical technologies of power may tend to reinforce definitions and practices of social control, their impact on world order is contradictory - and such contradictions are rarely raised in the neo-Foucauldian literature. Moreover, what the propositions and evidence in the rest of this essay suggest, is that the degree of "relative autonomy" and democratic possibilities in (global) civil society, using the new technologies for liberation can be overstated and represented perhaps too optimistically - as it is by theorists such as Jim Rosenau and Ronnie Lipschutz.<sup>6</sup> My own view is that such optimism needs to be tempered

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<sup>5</sup> Nikolas Rose, "Government, authority and expertise in advanced liberalism", Economy and Society, 22 (1993) pp. 283-299; see also Graham Burchell, "Liberal government and techniques of the self," Economy and Society, 22 (1993) pp 267-83. There are a large number of articles on related themes, and influenced by Foucault in this journal, especially between 1990 and 1993.

<sup>6</sup> E.g. James Rosenau, Turbulence in World Politics (Hemel Hempstead, Harvester Wheatsheaf, 1990); Ronnie D. Lipschutz, "Reconstructing World Politics: the Emergence of Global Civil Society," Millennium, 21 (1992), pp 389-420.

by more consideration of the way that these new technologies are being used to increase exploitation and oppression.

My substantive purpose in this essay is to generate a number of hypotheses concerning ways to explain and to challenge such exploitation and oppression. My hypotheses are made with reference to changing patterns of social power, forms of state and civil society and the emerging world order. I draw principally on examples from the USA, with its particular state-civil society configuration and high level of technological development. In some ways, social developments in the United States can be viewed as the harbinger of our collective futures, if present trends are allowed to go unchallenged - although we should also be aware of "American exceptionalism". In important respects the United States is unlike any other society, partly because of its universal appeal, and partly because it is so ethnocentric and inward-looking. Of course, only hypotheses of limited applicability may be produced by this focus upon a particular civilisational pattern - one that encompasses Canada and now Mexico, which are in significant respects quite different from the United States. Nevertheless, the United States as a political economy and as a nation is central to the global political economy. Moreover, in the post-Cold War era, the role of the USA as the military guarantor of disciplinary neo-liberalism has been re-emphasised. Thus developments within, and radiating from, the USA are of the first importance for the rest of the world. To develop my hypotheses I first attempt to outline tendencies relating to the reconfiguration of neo-liberal forms of state.

## **PART ONE: HYBRID FORMS OF THE NEO-LIBERAL STATE**

### **State forms: Hobbes, Locke and Bentham**

In recent writings, Kees van der Pijl has written of the global eclipse of the "Hobbesian" form of state.<sup>7</sup> Thomas Hobbes' Leviathan (1651) was an absolutist form of state designed to centralise sovereignty in order to promote capital accumulation and/or to prevent social unrest exploding into civil war.<sup>8</sup> Van der Pijl contrasts this with the rival state form, the Lockean state and civil society, modelled in part on the Two Treatises on Government (1690) published just after the Glorious Revolution of 1688.<sup>9</sup> The Lockean form, van der

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<sup>7</sup> See for example, Kees van der Pijl, "Ruling Classes, Hegemony and the State System" International Journal of Political Economy, 19 (1989), pp. 7-35.

<sup>8</sup> Thomas Hobbes, Leviathan. Edited by C.B. MacPherson. (Harmondsworth, Penguin Books, 1968).

<sup>9</sup> See for example, John Locke, Treatise of Civil Government and a Letter Concerning Toleration. Edited by Charles L. Sherman. (New York, Irvington Publishers, 1965).

Pijl suggests, thus originated in seventeenth century England. This state form, he argues, is increasingly supplanting the Hobbesian forms as global competition between state forms intensifies. Partly because of the great influence of John Locke's thought in founding a new state in the USA, and because of the power and influence of the United States government and society, the Lockean model, according to van der Pijl, is now tending towards planetary reach - a conclusion which overlaps with those of Fukuyama and Rose. Where van der Pijl differs is that the "advanced liberal" or Lockean state form is not viewed as the sole and single alternative model for emulation, nor therefore as the "end" of history.

Since the mid-1970s, the capitulation of the former Soviet Union, and the swift attempt to introduce the self-regulating market society in eastern Europe and other former communist states (and in parts of the Third World) appear to have regenerated the processes of primitive accumulation of capital within this wider "Lockean" framework, although the introduction of the market in the former Soviet Union has not been accompanied by the extension of the property-owning democracy on a broad basis. On the other hand, the emerging state forms in East Asia, for example in China, Japan and South Korea hardly conform to the Lockean model.

In the Lockean, quintessentially liberal state, the problem and practice of government is premised upon a relatively vigorous and autonomous civil society. This is grounded in "natural liberty", which for Locke, was the freedom granted to humans by God. The Lockean state's legitimacy and authority would be founded upon political consent (Locke saw absolutism as a state of war on society) and the reciprocal rights and obligations of the rulers and ruled. The basis of political participation was both natural law (freedom, including the freedom to form societies to protect natural rights) and property, a key social institution in a liberal society. Because of the radicalism of his consent theory, Locke was distrusted by the aristocratic oligarchy of his time - and as such cannot be regarded as the (sole) theorist of the Glorious Revolution which was a political settlement between the landed gentry and the urban mercantile classes to enable them share power with the Crown and in effect, preside over a revolution of the powerful against the weak. Moreover, especially because of its concern with political order and the need to discipline the subordinate classes in town and country, the English state after 1688 had some very "Hobbesian" elements. These elements looked back towards civil war and in fear of renewed radicalism and peasant revolt, as well as looking to the future, where the propertied were to be more fully empowered:

The defeat of the radicals during the revolution thus helped to harden the formation of England into two nations. Before 1640 the major social division had been between privileged and unprivileged; now it was between rich and poor, free and unfree, the armigerous and the disarmed, those who commanded the militia and

those who were conscripted to fight overseas, those paying for and those subject to the Poor Law.<sup>10</sup>

Whilst punishment for crimes against property became increasingly severe, by 1714 Protestant dissent was tolerated: heretics no longer burned at the stake. As Christopher Hill put it, “Christianity and sovereignty ceased to be dependent, for their validity, on the hangman”. There was a general shift in literary consciousness, as the “tortured doubt” of Shakespeare’s tragedies and the poems of John Donne gave way to the “superficial certainties” of Alexander Pope. There were new assumptions about society and the universe, for example Newtonian mechanics and the theory of universal gravitation saw the universe as a self-moving machine and the categories of time, space, matter and motion associated with modern science began to emerge.<sup>11</sup>

According to Hill, by 1714 English politics became characterised by “rational enquiry” and discussed in terms of utility, experience and common sense, with the ideas of Locke and Isaac Newton influential. Such was this rationalism that in 1712 the post-revolutionary English parliament established free trade in slaves. The political settlement of 1688 was good for business, especially for the “moneyed interest”, which grew in power relative to landed interests. The Bank of England was created in 1694 and consolidated the allegiance of the “moneyed” to the Revolution of 1688 by making it easy to lend to the government on profitable terms, and in full security. This form of business confidence in the policies of the government generated the financing of a long war of attrition against the French; thereafter wars were fought to further British trading interests. Moreover, public finance was put on sounder footing with an enormous increase in effective taxation, and parliamentary (not monarchical) control over finance was established.<sup>12</sup> On questions of risk, production and labour, modern fire insurance was invented in England after the Great Fire of London in 1666; the emerging science of statistics made life insurance possible; a modern division of labour and industrial development was encouraged by Parliament as it gradually removed impediments to the mobility of labour to allow emigration to the cities and thus labour for urban production. Nevertheless, all of this change benefited the powerful and the propertied - in a social and political revolution against the disenfranchised poor.

The Lockean constitutional model is even better exemplified in the Constitution of the United States of America. In the first US Constitution - in order to secure the consent of

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<sup>10</sup> Christopher Hill, Reformation to Industrial Revolution, (Harmondsworth, Penguin Books, 1967), p.144-45.

<sup>11</sup> Christopher Hill, The Century of Revolution, 1603-1714 (New York, W.W. Norton, 1961), pp.248, 3.

<sup>12</sup> Hill, The Century of Revolution, 1603-1714, pp. 231-32.

agrarian interests in the southern plantations - slaves were counted as property, so that slave owners were allotted votes at the rate of two-third of a vote per slave.

Consent, rooted in property, for Locke was the rational foundation for the constitution of social order, and consent was understood as an ongoing political process. Nevertheless, consent could never abolish certain primary natural rights for Locke, since these were the foundations of politics and the process of consent itself: life, liberty and property, rights which cannot be given up by “reasonable” people. As noted, slavery was not considered an aberration from these principles. As Adam Smith noted in 1776 at the birth of the American republic, “civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor, or of those who have some property against those who have none at all”.<sup>13</sup>

Van der Pijl's argument contains an important conceptual innovation, especially in the way it reflects a need to think through the relation between state and civil society, and in the way it reflects the process of the broad empowerment of the propertied that has emerged in recent decades, after a period of welfare-nationalism and social protection. On the other hand, van der Pijl's Lockean concept does not go far enough in analysing the transformation of capitalist state-civil society formations. First of all it is too broad to account for the variations in state-civil society formations, and may over-state the degree of actual, as opposed to theoretical convergence towards the Lockean framework (e.g. there are significant variations in the state-civil society forms within Scandinavia, between Scandinavia and southern Europe, between Germany and France, and between each of these nations and Holland and England, etc.). Second, the Lockean form presupposes a relatively autonomous form of civil society, with a high degree of self-regulation of social and economic activity - and thus of indirect forms of market discipline in civil society. However, in the key centre of what he calls the “Lockean heartland” (the USA), one might suggest that such discipline is both direct and indirect, and civil society is far from self-regulating. This is also true in much of Western Europe and certainly in Japan. Third, arguments about the liberal form of state were made not only by British theorists, but also by French and American writers: e.g. Montesquieu, the American federalists, Constant, and de Tocqueville. Also influential in the development of British liberalism were Adam Smith and John Stuart Mill.

Operating alongside these liberal currents, especially in the nineteenth century was utilitarianism, reflected in the writings of James Mill (father to J.S. Mill) and of course,

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<sup>13</sup> Cited in Christopher Hill, Reformation to Industrial Revolution, p 287.

Jeremy Bentham, who Marx and Engels viewed as the theoretician of an underdeveloped, emergent bourgeoisie. Nevertheless, Marx and Engels, writing in 1845-46, saw Bentham's utilitarian successor, James Mill, who more fully developed the theory of utility in political economy, as the theorist of "the ruling, developed bourgeoisie".<sup>14</sup>

Marx and Engels, although they regarded him with contempt, saw Bentham as crucial to the development of economic aspects of the theory of exploitation, which they thought had been neglected in France. Marx mocked Bentham as the "insipid, pedantic, leather tongued oracle of the ordinary bourgeois intelligence of the 19th century... a purely English phenomenon", who took the "modern shopkeeper, especially the English shopkeeper, as the normal man... This yard-measure he applies to past, present and future."<sup>15</sup> In the first volume of Capital (1887) in a heavily ironic passage, Marx canonised Bentham as one of the Four Muses of the capitalist labour market that was:

A very Eden of the innate rights of man. There alone rule Freedom, Equality, Property and Bentham. Freedom, because both buyer and seller of a commodity, say of labour-power, are constrained only by their own free will. They contract as free agents, and the agreement they come to, is but the form in which they give legal expression to their common will. Equality, because each enters into relation with the other, as with a simple owner of commodities, and they exchange equivalent for equivalent. Property because each disposes only of what is his own. And Bentham, because each looks only to himself. The only force that brings them together and puts them in relation with each other is the selfishness, the gain and the private interests of each ... in accordance with the pre-established harmony of things, or under the auspices of an all-shrewd providence, work together to their mutual advantage, for the common weal and in the interest of all.<sup>16</sup>

Marx's irony perhaps overstates the degree of naturalism and piety in the outlook of the "English shopkeeper". Moreover, the Benthamite theory of the state is in some senses less individualistic and minimalist than its early liberal precursors or indeed some of Bentham's contemporaries. As is hinted at above, it has some of its axioms associated with French

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<sup>14</sup> Karl Marx and Frederick Engels, The German Ideology. Edited, with an introduction by C.J. Arthur. (New York. International Publishers, 1970) p 122. It will also be remembered that J.S. Mill, who was a fierce critic of Benthamism, and who Marx did not consider to be a "vulgar" economist, argued that the principles and benefits of liberalism were not for the delinquent, the immature, the uneducated or for "barbarians" (those who would have grown up outside of the heartland of liberalism, that is most of the people on the planet at the time Mill wrote On Liberty in 1859.

<sup>15</sup> Karl Marx, Capital, Vol I: A Critical Analysis of Capitalist Production. Edited by Frederick Engels. Translated from the Third German Edition by Samuel Moore and Edward Aveling. (New York, International Publishers, 1967), p. 609, and p. 609 fn 1.

<sup>16</sup> Marx, Capital, Vol I, p 176.

rationalism (e.g. Helvétius) and the French Revolution. Indeed, the key to Benthamite political economy was the stress on the need for a strong (but not necessarily large) governmental apparatus and state planning to sustain the free market, especially a free labour market. Bentham was of the view that whilst free trade and competition were generally productive, the “unseen hand” and Adam Smith's “simple and natural liberty” needed a large administrative apparatus. Free trade required a centrally organised and controlled interventionism. Moreover, as Adam Smith himself acknowledged “security” was more important than “opulence”. The freedom of the unseen hand needed to be weighed relative to national security. “Security” required scientific estimates of the potential for external challenges from military and commercial rivals, as well as potential threats to stability from within - as well as police. This depended upon systems to classify and to organise populations, and to measure their activity. Bentham's favourite phrase for public administration and production was “inspectability”. The Benthamite state - in theory if not in practice - was required to intervene strongly in civil society to help to promote the “general” happiness goal. This implied the need to ensure social order, and to construct both a superstructure and an infrastructure of social and political surveillance in order to modify behaviour and to promote “good” acts.

The latter aspect of Bentham's thought has been highlighted by Michel Foucault in Discipline and Punish (the French title of which is more suggestive of its content, namely Surveiller et Punir).<sup>17</sup> This book was partly inspired by Bentham's idea of the Panopticon. Foucault took this idea as a metaphor for the discourses, or theoretical-practical structures of surveillance in nineteenth century societies, across a range of social institutions such as medicine, crime and penal reform, sexuality, and urban planning. Foucault argued that the idea of surveillance is applicable to both capitalist and socialist forms of state. It was central, for example, to the ideas and practices, which constituted the French Revolution - which Foucault called “disciplinary power”. People would be immersed in the collective gaze, the discourse and the activity of others, and as such would be prevented from unharmed acts, taking away their desire and possibility of wrong-doing.<sup>18</sup>

As not only Bentham's but also Polanyi's work suggests, in order to sustain a possessively individualist society with a high degree of economic freedom it may require sophisticated forms of state surveillance of the population on an ongoing basis (e.g. though collecting data in censuses, health and crime records, plus ongoing monitoring of patterns of economic

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<sup>17</sup> Michel Foucault, Discipline and Punish: The Birth of the Prison. Translated by Alan Sheridan. (New York, Vintage Books, 1979).

<sup>18</sup> Foucault, Power/Knowledge, p. 146.

activity, etc.), as well as attempts to normalise their behaviour patterns through disciplinary discourse. This is hardly what Locke had in mind as he reflected on civil government in the dining hall of Corpus Christi College in Oxford where he was a fellow. In the dining hall is a full-length portrait of Henry VIII, the college's founder. The image of the King hangs above, and dominates, high table. Locke's opposition to absolute monarchy is well-known, and this opposition was the fount of his ideas on natural rights, the rule of law and constitutionalism.

Following van der Pijl's predilection for ascribing the nature of state forms to British political thinkers, what appears to be emerging as the dominant form of state then, is not a Lockean state *per se*, but a hybrid, which contains Hobbesian, Lockean and Benthamite elements. The precise admixture varies in different state-civil society complexes or in forms of what Gramsci called the "extended state": the interpenetration of political and civil society in the form of state. Private associations, and social institutions such as the family, education and the church are both constituted by, and interpenetrated with, the government or "political society" and together these form the extended state.

Where van der Pijl is absolutely correct, however, is that since capital accumulation has become a global process (centred in the three major poles of capitalism in North America, Western Europe and East Asia) the identity between particular states and transnational capital, and between political authority and territory is becoming more complex and less clear cut. There is an emergent global civil society which is to a large degree dominated by the power and influence of the agents of transnational capital.

Yet even here the situation is complex and in some ways contradictory. Whereas production requires, to a large extent, a given territorial base and labour force, the provision of global finance and credit (which is a promise of future payment in exchange for the means to acquire and to consume goods and services in the present) appears to be increasingly "globalised" and beyond the control of even the most powerful governments, as the massive scale of the financial markets, and the swift movement of capital with respect to currency speculation clearly imply. Financial capital - particularly in the form of the offshore or Euro-markets - punishes quickly those governments which do not maintain control over their finances by a denial of credit and/or a lowering of credit rating which makes finance more expensive to obtain.<sup>19</sup> The vast scale and high mobility of capital, and the structure of

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<sup>19</sup> As the 1992-3 currency crises in western Europe illustrated, the power and mobility of financial capital is vast: at one point in 1992 Sweden was forced to increase its overnight interbank rate of interest to 500 per cent to avoid a haemorrhage of short-term hot money flows out of the economy. These forces - in the context of a Finnish devaluation caused by the collapse of trade with the former Soviet Union - caused Sweden to devalue its currency and strive to make large and politically very unpopular cuts in government expenditures.

expectations which encompasses the large institutional players in the markets form a transnational historical structure - in the sense used by Braudel. This structure and its associated discursive practices acts to discipline deviations from the (deflationary) orthodoxy of neo-liberal economics and serves to constitute the “limits of the possible” in matters of global finance and sovereign debt.

To a large extent, the US is an exception to this general rule and is better able to capitalise on the risks and opportunities associated with this structure than any other government. In a sense all countries are disciplined by the structures of global finance, but some are more disciplined than others. Nevertheless, the disciplinary structures associated with financial capital operate within the USA, and not just from it.

At the same time, it should not be inferred that all governmental apparatuses have simply lost the capacity to control capital mobility. The freezing of Iranian assets of \$14 billion after the Iranian revolution in 1979 illustrated the unique capacity of the USA to intervene in, and exert some direct control over, the international banking system. United States’ national security interests are still powerful enough to override the “particular” interests of bankers.<sup>20</sup> US intervention capacities, in a quite different manner, were also revealed in the BCCI scandal (discussed later in this essay).

### **Panopticism, taxes, social security and crime - some tendencies**

The panopticon is a Greek composite term which means “sees all”. Foucault described the principle of panopticism as “ensuring a surveillance which would be both global and individualising whilst at the same time keeping the individuals under observation” [through the illumination of space].<sup>21</sup>

Bentham's blueprint for the Panopticon, or Inspection House, is well-known. It was intended to ensure, through the all-seeing and dominating eye of the warder from a central

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<sup>20</sup> The US freeze order applied to three categories of assets: (a) \$2.4 billion of gold and securities held in the Federal Reserve Bank of New York; \$2.05 billion deposited in US and non-US banks based in the USA; (b) \$5.6 billion in offshore deposits, of US banks overseas; and (c) \$4 billion in Iranian assets in the USA, including a Boeing 747 plane. Most of the assets in category (c) are still “frozen” in the USA. The extraterritorial application of President Carter's executive order “shocked and angered the international banking community”, but nevertheless, the US gained the co-operation of European governments and banks in implementing the freeze order. See Mahvash Alerassool Freezing Assets: The USA and the Most Effective Economic Sanction. (New York, St. Martin's Press, 1993), especially pp. 30-31.

<sup>21</sup> Foucault, Power/Knowledge, p. 6.

watch-tower, a transparency which would also cause the inmates of the prison to exercise self-discipline, that is to act, as it were, as surrogate warders. It depended on the actuality, or possibility of constant surveillance, a method which made the technology of surveillance apparently both economical and effective over a large subject population. The Panopticon was never built - it was, like the economics of Adam Smith, more of an “imaginary machine”, designed in the spirit of Newton. As Foucault understood it, the panopticon made power both visible and unverifiable. However, some Foucauldians have suggested that things have gone further, to the point where increasingly surveillance is being built into the labour process as well as the financial (or actuarial) structures: it has become, in this context, both more visible and more verifiable.<sup>22</sup>

The panopticon idea therefore antedates both the development of modern bureaucratic systems and the use of technical innovations of individual and mass surveillance and data collection, such as computer data-bases, satellites, bar-code scanners and telecommunications intercepts, for example associated with the secret National Security Administration (NSA) of the USA. Some of this type of surveillance technology may be quite beneficial - for example in the verification of arms control agreements, in monitoring the ecosphere, depletion of rain forests, climate patterns, etc. Of course, in no society is there, or can there be, a single all-seeing eye, although some societies seem to approach a broad surveillance condition with regard to certain aspects of state activity. A number of concerns are raised here, in so far as a democratic society requires a certain degree of transparency and accountability in the creation, storage and use of a wide range of personal information. Such information which be necessary for the government to function efficiently as an allocator and user of social resources, and as an agency of regulation and planning. For example, in Sweden there is broad support for the idea that there should be no free-riders and that everyone should pay a fair share of taxes and support social welfare programmes. This goes with the ideas of publicly and privately mandated data collection:

In Swedish society ... There is less privacy available for an individual to enjoy than in other western societies (outside Scandinavia)... A central national data bank, known as SPAR, contains for each person such varied data as name, PIN [personal identification number], address, citizenship, marital status, assessed income, taxable capital, and possession of real property. A person's income and net worth, for example, are regularly published commercially at the county level from public records; such data have practical applications, such as checking creditworthiness, but they can also serve to satisfy a large dose of individual curiosity.<sup>23</sup>

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<sup>22</sup> E.g. the debate in Economy and Society, 1990-93.

<sup>23</sup> David H. Flaherty, Protecting Privacy in Surveillance Societies: The Federal Republic of Germany, Sweden, France, Canada, & the United States, (Chapel Hill, The University of North Carolina Press, 1989).

However, this is not the “1984” type situation which Flaherty seems to imply in his book. This is because Swedish society is largely democratic, pluralistic and tolerant. Swedish practices noted above rest upon a broad based social consensus which is largely egalitarian in outlook, and is premised upon the idea that no responsible citizen should have anything significant to hide from anyone else. Not all of the applications of such technologies are as democratic, accountable and socially consensual as in the Swedish case. Indeed, the situation seems replete with ambiguities with regard to constitutional freedoms in the OECD countries. In other contexts - for example in Singapore and some East Asian societies, where political dissent or variations in lifestyles are not tolerated, this type of social transparency and surveillance is clearly repressive.

Nevertheless, there seems to be a growing tendency towards the increasing use of surveillance capabilities by the liberal democratic state to regulate the new market society and to exercise social control in a period of rapid social change.<sup>24</sup> One hypothesis which might help to explain this tendency is with reference to the interplay between fiscal crisis and the globalisation of financial markets. The rapid globalisation of finance from the 1970s onwards occurred in the context of short term elements such as the recycling of petrodollars in the Euromarkets following the first oil crisis in 1973, and in a more conjunctural sense, to the onset of “stagflation” and a general economic slowdown in the 1970s. In this context, there was a growing tendency world-wide towards fiscal crisis of the state, as tax revenues rose more slowly than the cost of government expenditures (e.g. unemployment and social insurance). This situation was manifest at all levels of government, from municipal to federal (the first major instance of the fiscal crisis of the state in the USA was in New York City in 1975). The counterpart to this development in the Third World was the so-called debt crisis.

Partly because of the growth in the international mobility of capital, governments - of various political complexions - were pressured into providing an investment climate judged attractive by global standards (and the private credit rating agencies were often the arbiters of government creditworthiness). In the 1980s this has gone with an emphasis on the restructuring of the state through the tactics of marketisation and privatisation. The 1980s saw a period of competitive tax-cutting initiated by the supply-side policies of the Reagan Administration as it sought to “reinvent” government. This forced other states to respond by cutting their taxes or risk losing investment or financial services business to lower tax jurisdictions. Moreover, as economic stagnation continued, governments have had to pay

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<sup>24</sup> Abbe Mowshowitz, “The Emerging Network Marketplace” paper presented at Strategic Research Workshop, “New Technology, Surveillance and Social Control”, Queen's University, Kingston, Ontario Canada, May 14-16, 1993.

increased attention to collecting tax revenues (and raising cash through privatisation) in an age where the ideology (but not the reality) of the balanced budget (or of “financial stringency” and “prudence”) has come to prevail in economic discourse. Especially in North America, levels of not only unemployment, but also household indebtedness rose, especially in the 1980s. These developments, along with reforms in social security and tax administration, had the effect of binding workers to the disciplinary structures of not only the workplace, but also the finance and credit structures, and the global political economy, under the general and intensified surveillance of the state.

Many governments have invested heavily in new technologies to create the means to build and to manipulate data bases which can be used for tax collection, and more broadly, for purposes of social control and criminal enforcement. Indeed, a proposal was mooted by the European Bank for Reconstruction and Development (EBRD) to transform large sections of the former Red Army into tax collectors in crime-ridden Russia. This type of development is intended to maximise the state’s surveillance of the population, partly for economic reasons, and partly for reasons of policing, since one objective of this type of exercise, as is clear in Russia, is to gain information about the so-called “secondary” or “informal” economy, which is outside of the scope of official tax collection.

Of course this is not just a problem for Russia, but for all governments which experience fiscal crisis and widespread organised crime and corruption. Thus much of the work that has gone into the “reform” effort in the former Soviet Union by the international financial institutions and the western governments has concerned the construction of more effective databases and population profiles.

Much of the democratic concern which has been expressed at the creation of mass databases has arisen in OECD contexts where the political conditions are different to those which have prevailed in Scandinavia. For example, the practice of file-matching (e.g. social security files to tax files to check on fraud), is very common in the USA and Canada, and relatively common in Japan and in the UK, although official secrecy in the UK means that it is impossible to be sure. Part of the concern is prompted also by the inaccuracy of data held in these systems throughout the world.<sup>25</sup> In Canada, for example, there is little public concern at these developments, whereas they have been very important political issues in Germany (where file-matching is more controlled), because of the legacy of Germany’s

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<sup>25</sup> Some studies suggest a growing trend towards the use of these computer-matching techniques, although they are very expensive and time-consuming with existing software. However, new database architecture, based on “object-oriented programming” will, over time allow new types of data to be added to databases very quickly and the rapid management of vast quantities of data unheard of today, at much lower cost. See, Desmond Macrae, “OO boy” *Global Custodian*. September 1992, pp 127-131.

Nazi past and thus the politicisation of civil society there. There have also been protests in the US, because of its anti-statist traditions.<sup>26</sup>

In Japan, there have been sporadic attempts to challenge the Japanese state on the use (and abuse) of this type of data, and civil libertarians in Japan continue to challenge these practices. For example, when the Emperor and Empress of Japan made a controversial visit to Okinawa in May 1993 there were many complaints from people who had been detained or arrested on pretexts by the police, and by people who were denied access to areas adjacent to the route the Royal family took to the southernmost Japanese islands. Okinawa, which was once colonised by Japan, was the site of ferocious battles as the USA invaded the country (over 250,000 died in these battles). Many inhabitants felt that Okinawa was sacrificed in the vain attempt to prevent the victory of the American forces. Since the war it has been relatively neglected and impoverished, even after its reversion to Japanese sovereignty in 1971. In effect, the Japanese security agencies carried out a selective detention of some members of the population. This was ostensibly to prevent terrorism against the royal couple. The informational basis for the location and activities of individuals this is a highly developed and totally comprehensive local registration system based on families, linked to local networks of surveillance, which originated about 1000 years ago - systems of registration which were adapted from those of ancient Imperial China. These systems were reformed and perfected following the creation of the Meiji state, after the imperial restoration of 1868. The Japanese case shows the long lineage of panoptical practices by the state, and the informational base that they rest upon.

A case study of Australia, which is in many ways a typical liberal-democratic society of the Lockean type (along with Canada, the UK and the US), illustrates aspects of the general trend I have noted. Australia has recently experienced fiscal crisis and the change in the political landscape, especially as political discourse shifted away from social democracy towards conservatism and neo-liberalism. Whilst the economy was liberalised over the last 20 years, the law enforcement, taxation and government benefits agencies gained increased power within the state apparatus. The social security ministry shifted to more rigorous monitoring of its clients, in a return to the type of method akin to the reforms which Bentham and other utilitarian liberals advocated for paupers, that is premised upon “inspectability” of claims and obligations. Australia increasingly uses file-matching, which is facilitated by computerisation. The Australian system was integrated and linked to the introduction of the multi-purpose tax-file number (TFN) system, which serves a similar

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<sup>26</sup> The Canadian Federal Privacy Commissioner's report for 1993 stated that Canadians were in a “technological trance” and they were, on the whole, very complacent about the implications of the new information and other technologies (e.g. genetic screening). Geoffrey York, “Privacy report warns of ‘Big Brother’ computer” The Globe and Mail. July 14, 1993.

identification purpose to the Canadian SIN (social insurance number) and the US SSN (social security number).<sup>27</sup> Similar developments can be observed in Britain, where the police, security services, inland revenue (tax) and the health and welfare administrations are reputed to have integrated database systems. The popular climate encouraging surveillance has gone with the vast increases in crime (in this case petty crime, vandalism and crime against the person) recorded in most OECD countries during the past two decades. Moreover, government agencies seek to obtain and to integrate private data bases into their information structures as a matter of routine, for example to monitor the financial system and to pursue tax claims and in some case track down white collar crime such as fraud and money laundering.

Noteworthy here is that private agencies in various countries also have massive centralised databases, much of which contain public information, and thereby the difficulty of separating public and private aspects of data-gathering, coding and surveillance - a difficulty which has also arisen in the USA as a result of the proliferation of private security agencies and guards, which now significantly outnumber “public” police.<sup>28</sup> A notable example of such private information corporations is TRW, a US-based credit-rating and marketing organisation which claims to have detailed economic and social data on 170 million American citizens (the US population is about 254 million). Another important example which shows that there is a struggle over the proliferation and potential decentralisation of control over data-bases was in 1990 when the Lotus Corporation withdrew its plan to market a product called Marketplace: Households. This product was withdrawn because of 30,000 protests from an angry public concerned that such a decentralised system was a grave threat to personal privacy. The product had detailed information on 80 million US households

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<sup>27</sup> Simon G. Davies, “The Zones of Surveillance: a methodology to quantify and score surveillance”, paper presented at Strategic Research Workshop, “New Technology, Surveillance and Social Control”, Queen's University, Kingston, Ontario Canada, May 14-16, 1993, pp. 10-11.

<sup>28</sup> Indeed, in the USA the “public” police rely increasingly on their private counterparts in sustaining residential and commercial security, for example in New York and Los Angeles. See Ralph Blumenthal, “As the Number of Private Guards Grows, Police Learn to Enlist Their Help”, New York Times July 13, 1993; Clare Collins, “Hiring Private Security Guards to Cut Neighborhood Crime”, New York Times, August 18, 1994.

According to the United States Department of Justice, employment in the 13,000 private security firms far outnumbers public law enforcement. Private security spending was \$52 billion in 1992, up 57 per cent from 1982, and the sums dwarf public law enforcement budgets by 73 per cent. Industry estimates suggest that on present trends there will be a private security army of over 2 million in the USA by the year 2000. Another growth statistic from the culture of contentment is the size of prison populations, which grew from 230 per 100,000 in 1979 to 504 per 100,000 in 1991. This can be interpreted as part of a tendency to criminalise and confine the “dangerous classes” as one of the preferred means of social control in the United States. See Nils Christie, Crime Control as Industry: Towards Gulag Western Style? (London, Routledge, 1993).

(120 million people), including name, address, and significant detail on shopping habits and income (phone numbers and credit-ratings were omitted in anticipation of privacy complaints).<sup>29</sup>

Much of the contemporary innovation in surveillance practice and technology has been driven by, on the one hand, the bureaucratic state, gathering information about populations (and the willingness of people to acquiesce to this), and, on the other, by capitalist enterprises seeking to maximise profit and to eliminate risk. The capacity of telecommunications to centralise data (and with the new two-dimensional bar-codes and software packages to correspondingly redistribute and decentralise data) which was previously stored separately - either geographically or functionally - also lies at the heart of these developments.<sup>30</sup> What is at issue, is the use of and access to such information, and the degree to which control of such use is exercised democratically.

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<sup>29</sup> Marketplace: Households was to be furnished on CD-ROM disks useable on microcomputers, at a price of US\$695 for software and an initial set of 5,000 names; \$400 for each additional 5,000. The data was provided by Equifax Marketing Decisions Inc., which is affiliated with a large credit agency, Equifax Inc. What was distinctive about Marketplace: Households was that it was intended for small and medium-sized business. Large companies already have this data - supplied by the likes of TRW, Equifax and Dun and Bradstreet, and from marketing firms like the Claritas Corporation, but this is usually sold for single-use purposes. Lotus customers were to get unlimited use of the data to customise direct mail, build records etc., etc. Nevertheless, Lotus successfully introduced Marketplace: Business, a companion product, which characterises business purchasing patterns, through a licensing agreement. See Oscar H. Gandy, Jr. The Panoptic Sort: A Political Economy of Personal Information. (Boulder, Westview Press, 1993).

<sup>30</sup> Bar codes - found on almost everything we purchase, including news magazines and books (and things we do not, like unsolicited mailshots), have revolutionised inventory management, marketing, merchandising and parts tracking, in a wide range of activities from retail to health care. They contain information which enables tighter control over inventory and the construction of data bases. Moreover, two-dimensional bar codes are now in development which can hold vast amounts of information, so much that, "it would allow a cash register to play the William Tell Overture... with error correction formulae to help recover the full message if part of the code is torn off ... [creating a] full blown data communications protocol for paper ... greatly increasing the speed of moving and receiving goods". Karen Zagor, "Bar-codes take on new dimension" Financial Times. August 20, 1992.

This type of technology is economically and socially useful in that it can help to reduce unwanted inventories and can make the disposal of hazardous waste, dangerous chemicals and medical waste much safer (bar-codes can contain warnings, storage details and emergency instructions as well as identification). It has also been suggested that two-dimensional bar-codes have potentially vast uses in medicine, particularly in remote regions where patient profiles and medical records could be instantly scanned without access to a central database. On the other hand, the aspects of human control which might stem from these technologies are obvious and are ambiguous in their implications. For example, the state could use the new two dimensional bar codes on drivers' licences, passports or other forms of public identification to instantly retrieve integrated personal profiles. Indeed the new European Community passports have computer readable codes which are routinely scanned at border crossings with the requisite facilities. The gains to policing are obvious but questions concerning personal privacy and state surveillance remain to be answered. It would

## PART II: EXPLOITATION, RISK AND ECONOMIC CITIZENSHIP

### The labour process and the panopticon

Bentham's panopticon, conceived in 1791, was modelled on a factory run by his brother Samuel in Russia, and was based on and sought to rationalise, the practices of asylums, schools, monasteries and hospitals, as well as factories and work-houses for the poor.<sup>31</sup> Later, when we observe the emergence of Taylorism and scientific management, we can note the use of similar systematic technologies of worker control in capitalism, to place not only shop-floor workers, but also supervisors and managers under surveillance and thus to constitute, objectify and exploit labour more systematically. One might argue that the technical capacity to carry out these forms of hierarchical surveillance has increased with the advent of new technologies. Thus surveillance and “disciplinary power” has been built more firmly into the labour process, especially in the computerised “office factory” with its banks of video screens, and in assembly lines where managerially defined work rhythms and tasks are embedded in the machinery.

The introduction of these new techniques is often banal and some studies have suggested that these technologies in the workplace are not really any more intrusive or degrading than face-to-face surveillance, although computers do create new occasions for monitoring by generating more information which is of use to managers.<sup>32</sup> On the other hand, there is clearly a great deal of resentment at, and anxiety in the ranks of middle management, as the new technologies are introduced in ways which make their own positions much more insecure.

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be relatively easy, for example to use similar scanning devices in the private sector to gain access to the profiles for hiring decisions and other disciplinary matters.

<sup>31</sup> Jeremy Bentham, The Works of Jeremy Bentham. Published under the superintendence of his executor, John Bowring. (Edinburgh, William Tait, 1859). On the Panopticon see Volume I, Bentham's full title for this work was: “The Panopticon or the Inspection-House. Containing the idea of a new principle of construction applicable to any sort of establishment, in which persons of any description are to be kept under inspection; and in particular to penitentiary-houses, prisons, poor-houses, lazarettos, houses of industry, manufactories, hospitals, work-houses, mad-houses and schools. With a Plan of Management Adapted to the Principle”.

<sup>32</sup> James B. Rule “High-tech Workplace Surveillance: What's Really New?”, paper presented at Strategic Research Workshop, “New Technology, Surveillance and Social Control”, Queen's University, Kingston, Ontario Canada, May 14-16, 1993.

Not all of the new technological developments are as “carceral” as the panoptical metaphor implies - some are liberating, but ambiguities abound. A recent example of industrial restructuring using advanced technologies in ways which are premised on mutual, and relatively non-hierarchical forms of organisation is Asea Brown Boveri (ABB), the Swiss-Swedish engineering giant. ABB is transforming its production organisation in what it calls “a new industrial revolution”. The strategy is inspired by a text written by the Boston Consulting Group, Competing Against Time (1990). Restructuring along these principles is advanced in Sweden, where work responsibilities have been decentralised into work teams at the same time as worker skills have been enhanced in order to cut production cycles from 86 to 35 days. This strategy to boost productivity is based on blending so-called “lean production” methods pioneered in Japan, with “Swedish work culture”, premised on a coalition between management and unions. This has allowed the distinction between administration and production to be largely abolished. However, the plan means that 25 per cent of the labour force will be made redundant.<sup>33</sup>

On the other extreme, however, the new technologies can be, and are being used in an ultra-exploitative and coercive manner to not only increase the intensity of work but also to control the actions and rhythms of workers and to keep them monitored genetically and biologically. Gramsci noted the seeds of this development in his analysis of “Americanism and Fordism”, where the innovation of new means of accumulation required the creation of a new type of worker.<sup>34</sup> A contemporary example of this is the way production tasks are redesigned so that they can be performed by robots, so that the role of humans in the factory is reduced to filling in for the robots when the robot malfunctions - a development akin to the nightmare of Fritz Lang’s Metropolis. New auto assembly lines run by General Motors embody this idea, and they are accompanied by mandatory drug testing and urine analysis which in effect, are designed to mandate the elimination of workers who, it is claimed, are unfit to work to the technologically and managerially defined rhythms.<sup>35</sup> Indeed, it can be argued that for the vast majority of workers in the OECD since the mid-1970s there has been an intensification of work, and new managerial strategies have been combined with new technologies to increase the direct and indirect forms of surveillance and control. Stress and anxiety levels have increased. As the power of capital has grown, relative to labour, workers

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<sup>33</sup> Robert Taylor, “Resetting the clock” Financial Times. February 10, 1993.

<sup>34</sup> Antonio Gramsci Selections from the Prison Notebooks. Edited and translated by Quintin Hoare and Geoffrey Nowell Smith, (New York, International Publishers, 1971), pp 279-318, especially 308-10, “Taylorism and the mechanisation of the worker”.

<sup>35</sup> Ron Sakolsky “‘Disciplinary Power,’ the labor process, and the constitution of the laboring subject” Rethinking Marxism 5, (1992), pp. 115-126. Sakolsky cites Harley Shaiken, Work Transformed, New York, 1984).

have found that their real incomes have stagnated, and for many during the 1980s, have fallen and continued to fall.

This is the broader climate within which to consider new forms of workplace surveillance. According to the US Office of Technology Assessment, such technologies are intended not only to improve the performance of workers (through monitoring output, use of resources and communication), but also to monitor their behaviour, location, concentration levels, and predisposition to error (e.g. drug testing). Moreover, their personal characteristics, including not only their “truthfulness” but also their predisposition to health risk are tested in many US firms. Other examples of the coercive and carceral use of what are called “dual use” technologies - those which are both socially useful but also potentially, socially repressive, are the use of electronic tags to monitor the location of workers (and which are also used to monitor prisoners either within the penitentiaries or when they are on parole). Genetic screening techniques plus lie-detector and other tests are coupled to credit-ratings and criminal checks made on individuals as part of the hiring process in a growing proportion of big US corporations, as well as in various (not just sensitive) areas of the state bureaucracy. In the case of US corporations, efforts are made to sort out potentially “risky” workers in the hiring process - that is to avoid hiring those who may become “sickly” workers and thus place a financial burden on the corporate health care plan. The trend in North America is towards a surveillance process which increasingly focuses on the worker (e.g. the worker is viewed as a risk, as well as a tool of production). Occupational risk is equated with the susceptibility of the worker rather than (hazardous) workplace conditions, especially in North America<sup>36</sup> This explains why there is such an increased interest in, and use of genetic testing, health, insurance, credit-worthiness and criminal history checks. For example, the numbers of Fortune 500 companies which use genetic screening for hiring decisions has doubled over the last decade, with now over 15 per cent using such techniques.<sup>37</sup> The key economic force driving this process in the USA is the combination of increasing health insurance costs and the lower costs of the genetic technologies.<sup>38</sup> Elaine Draper argues that

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<sup>36</sup> Elaine Draper, Risky Business. Genetic Testing and Exclusionary Practices in the Hazardous Workplace. Cambridge, Cambridge University Press, 1991.

<sup>37</sup> Priscilla Regan, “Surveillance and New Technologies: Changing Nature of Workplace Surveillance”, paper presented at Strategic Research Workshop, “New Technology, Surveillance and Social Control”, Queen's University, Kingston, Ontario Canada, May 14-16, 1993, pp 8-9. There is a difference between genetic monitoring (e.g. to ascertain if workers are exposed to damaging health risks at work and which may therefore be of benefit to workers and to employers) and genetic screening, which smacks of the survival of the fittest. Moreover, genetic changes may occur as a result of processes unconnected to the workplace.

<sup>38</sup> Regan, in “Surveillance and New Technologies: Changing Nature of Workplace Surveillance”, also mentions that in the USA concerns have risen concerning genetic issues as a result of the Human Genome Project: this is an effort to find and map the location and chemical sequence of all

this form of the social construction of risk is linked to a broader tendency in the OECD countries - the rising use of genetic explanations for social phenomena. If what she says is true we should be on the alert, particularly given the resurgence of fascism in many parts of the world.

All of these measures have prompted different forms of resistance, either passive or active, including strikes, work stoppages and go-slows, and even collusion between workers and line managers to escape surveillance from above. Other techniques include “anticipatory conformity” and “appearance management”.<sup>39</sup> These forms of resistance had their precursors prior to the onset of industrial capitalism, for example weavers’ riots in London, and peasant revolts and poaching in Britain, after the enclosure of agricultural lands and the appropriation of the traditional commons in Britain in order to capitalise agriculture, in the seventeenth century.

### **Social “trriage” and risk management**

One way to understand some of the contemporary dynamics associated with the political economy of the 1980s and 1990s is with reference to the idea of “trriage”. Oscar Gandy traces the origins of panoptic surveillance and normalising techniques back to pre-industrial times, and to the notion of trriage, a French expression which means to pick or to cull: to sort out the good apples from the bad. In English it means “the grading of marketable produce”. The term trriage has more frequently been associated with medical decision-making, for example, in a situation of mass battlefield casualties, where only those most likely to survive and fight are given treatment.<sup>40</sup>

The bulk of the informational bases for modern panopticism, are, as Gandy has detailed, everyday transactional activity which leaves traces which can be (electronically) recorded, stored, sorted and evaluated, in part according to the application of statistical and other

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genes, and thus to obtain detailed information about biologically determined features of individuals: the "human genome" contains the basic material from which the human being develops. This vast scientific endeavour may be completed early in the next century. Some see that the logical next step - from a panoptic viewpoint - as a database containing information about the genetic make-up of whole populations, with information later contained in bar codes, facilitating scanning, storage and exchange at diverse geographical locations.

<sup>39</sup> Sakalovsky, “‘Disciplinary Power,’ the labor process, and the constitution of the laboring subject”, pp. 117-18.

<sup>40</sup> Gandy, The Panoptic Sort.

evaluation principles.<sup>41</sup> Much of this is premised on techniques associated with insurance: the avoidance of risk. Examples of this are numerous, but they include credit and financial companies, insurance and health firms and marketing corporations. This kind of information gathering, and its sorting into categories is now so routinised that it is built into the process of everyday life - this is elaborated below.

Modern triage techniques - in the context of market forces - are used to marginalise or eliminate “unproductive” and high risk individuals, and to identify those who can be “constructed”, normalised or captured as workers and consumers. In the USA, this type of direct and indirect sorting process is applied across a range of activities by bureaucracies of government and large corporations. This has meant that, e.g. in the medical field, perhaps 30 per cent of the total population has no effective health care insurance, because state provision is inadequate and in the private sector they are considered too “risky” to cover or to treat.<sup>42</sup>

When risk-avoidance rules are applied (some by computer program) to credit and insurance/health applications, high-risk individuals may be automatically eliminated from authorisation of credit, from private health insurance, or, as an implicit condition for future insurance cover, women may be coerced into pre-natal screening, so that testing becomes routine. For example, the process of credit-rating affects the conditions under which loans are extended, and the rate of interest which is paid. To obtain credit means giving access to a great deal of personal information and this is in turn manipulated into sorting categories, as well as sold on the marketplace. The credit-rating process is intimately bound up with the production process, not only in terms of the rating of corporate bonds which price the interest rate for loaned funds for investment in plant and machinery or for research and development, but also, as noted, in terms of the recruitment of labour. Companies increasingly refer to credit information agencies when considering new employees: those

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<sup>41</sup> According to Gandy, in the USA, people who are less well educated and who watch a lot of TV are more likely to assume that the unrestricted provision of personal data, especially to private firms is a good thing, leading to better products and services. These people are also those who tend to be most integrated into the production and consumption structures of those aspects of North American life which are most routinised, predictable, calculable and controlled. The latter phenomenon has been referred to as the “Macdonalization of Society” one social counterpart to the spread of panoptical aspects of social control. See George Ritzer The McDonalidization of Society: An Investigation Into the Changing Character of Contemporary Social Life. (Thousand Oaks, Pine Forge Press, 1993).

<sup>42</sup> An example of how these systems are linked is the increasing use of pre-natal screening to avoid the birth of malformed babies. Implicit here is the ideology of the “perfect baby”. If pregnant women refuse tests they may be denied private health insurance. Private insurers do not swear the Hippocratic oath. Their main interest is financial: to avoid paying for expensive long-term care, which would reduce profits.

who have demonstrated their ability to service debts are more likely to be hired, ceteris paribus, than those who have faulty records (other elements which enter into the hiring process are noted earlier in this essay). Moreover, many poorer people cannot gain proper access to credit, and when they do, they pay much higher real rates of interest. This category means those who are poorest and most vulnerable: e.g. new immigrants, the poor, single-parents, the unemployed.

These changes are also bound up with the reconfiguration of civil society, in so far as certain aspects of risk (both market risk and credit risk) have, at least since the second world war, been largely socialised in the OECD countries. What is emerging is a shift towards a contradictory development. On the one hand, risk is shifted increasingly down to the personal level and hedging of risks takes a predominantly market form (e.g. the provision of private health care arrangements, private security guards, etc.). On the other hand risk is increasingly generalised (e.g. the environmental risks or market risks, such as a fall in the stock market undermining the life-savings of people through the medium of pension fund investments). A key aspect of social life in the late twentieth century is the growth in the prominence of “manufactured risk” (as opposed to natural risks and disasters, such as earthquakes), and this provokes attempts by individuals to provide for such risks.<sup>43</sup> I would add to this that all of this is occurring in an era of state budget cut backs and the reduction of the socialisation of risk provision for the majority of the population - and thus a greater privatisation of the risk calculus at the level of the individual. Many people enter into information grids (e.g. in the case of credit provision) to facilitate their lives and obtain access to a valuable resources (credit and insurance). Indeed, in doing so some are able partly to offset certain risks that they encounter in their everyday (financial) lives - the use of a credit card means that transactions are recorded, and often credit cards provide insurance against counter-party risks, e.g. flight cancellations, faulty products, car accidents, etc.

Moreover, in the USA - despite the apparent hegemony of market forces - there is some form of socialisation of risk - but it seems to benefit an affluent minority of the population - coincidentally those who are most politically active in a society where approximately half of eligible voters do not participate in Presidential elections (and thus a President can be elected with less than 30 per cent of the potential vote). J.K. Galbraith notes how the US federal government insures depositors for up to \$100,000 per bank account - and by definition, the poor will not have such large savings in a bank, with the result that when the

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<sup>43</sup> Antony Giddens, The Consequences of Modernity (Stanford, Stanford University Press, 1990), especially Chapter IV, pp 112-150.

Savings and Loans collapse occurred, it cost the US taxpayer over \$250 billion in compensation to those with S and L accounts.<sup>44</sup>

The 1980s was a period of tremendous change in the sphere of finance. One dimension of this change was a huge growth in indebtedness and credit expansion, at all levels: from corporate to individual, from federal to local government. In the 1980s, access to credit became a key determinant of the reproduction of not only economic, but also governmental activity. This process has been commonly understood to be an indirect one, conducted within the context of the forces of supply and demand in the marketplace. However, especially from the early 1980s, the poor credit conditions and heightened competitiveness of in the global political economy began to give more prominence to the role of credit-rating agencies, concerned with the monitoring and surveillance of firms and individuals, as well as municipal and national governments. Credit-rating agencies such as Moody's and Standard and Poor's became more influential. A good credit-rating became the sine qua non of economic status in United States society. In what former Librarian of Congress Daniel Boorstin once called "the great democracy of cash", access to credit on reasonable terms means access to economic resources and indirectly to political power.

In North America, and in the US in particular, the materialism of liberal democracy means that the substantive conception of citizenship involves not only a political-legal conception, but also an economic idea. Full citizenship requires not only a claim of political rights and obligations, but access to and participation in a system of production and consumption. Central to the contemporary definition of participation in this system is access to the financial system, and, in particular, to the credit allocation process.

Credit cards were first made available by department stores to facilitate the purchase of expensive items such as appliances, and by gasoline companies before 1920. Some hotels issued credit cards to regular customers as early as 1900, but in all these cases the numbers of cards were very limited. The broadening of the use of credit cards emerged in the 1950s, again mainly in major department store chains, and the general-purpose credit card was introduced by banks in the 1960s. For much of the 1960s and 1970s credit cards were only marginally profitable, with the vast majority of cardholders being "convenience users" who paid off their bills regularly and thus did not pay interest and/or penalty fees. It was in the 1980s that profitability began to rise, as state usury laws were relaxed (allowing higher interest rates) and annual user fees became the norm. Deregulation also allowed many non-bank cards to be issued by firms such as AT&T, Sears, and American Express.

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<sup>44</sup> J.K. Galbraith, The Culture of Contentment, (New York. Houghton Mifflin, 1992).

Those who gain access to credit are ranked hierarchically (e.g. holders of American Express Cards, which are either Green, Gold or Platinum). Moreover, each “cardholder’s” behaviour profile is scrutinised on a daily basis, according to over 450 separate categories. Companies rank people according to financial and social status, employment record, criminal and health records, etc., etc. Not all of these records are integrated: but some are, apparently for private insurance, credit and health.

Today about 70 per cent of US families have at least one card, up from 50 per cent in 1970. Holdings of bank cards (e.g. VISA, MasterCard, Optima) has also risen quickly, and 54 per cent of all US families held these in 1989, up from 16 per cent in 1970. Bank card holding has increased further since 1989. In 1990 credit cards were used to purchase some \$455 billion of goods and services, and credit card charges accounted for 13 per cent of all consumer expenditures, up from 10.8 per cent in 1980.<sup>45</sup> Credit growth dropped dramatically in 1991 as the so-called “credit crunch” hit the USA after the excesses of the 1980s came home to roost.

Credit cards are used for two reasons: as a means of payment and as a source of credit. Interest rates are more critical for those who use the card for credit: as a debt instrument. Dependence on the use of cards for these purposes is increasing. Revolving credit (which is mainly unpaid balances) rose from \$60 billion at the end of 1980, 19 per cent of all consumer instalment debt, to more than \$240 billion at the end of 1991, which represented well over one-third of all consumer instalment debt which was outstanding.<sup>46</sup> Most credit of this type is unsecured, but increasing numbers of borrowers have to turn to a recent innovation, secured accounts: those with low incomes or poor credit histories (as with the case of Byron, discussed below). These accounts require borrowers to deposit a sum (\$500-\$1000) in a savings account, at low interest to gain a card and thus perhaps to rebuild a credit rating.

This reflects the higher losses associated with poorer people generally, with recessionary conditions and the search for greater profits in an increasingly competitive credit card industry. A study of the effects of deregulation in US banking for the American Management Association found parallel trends - indeed compelling evidence of a trend towards the segregation of banking services to create a three-tiered, hierarchical structure with the poor effectively marginalised out of mainstream banking facilities. The poor paid

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<sup>45</sup> Glenn Canner and Charles A. Luckett, “Developments in the pricing of credit card services” Federal Reserve Bulletin. September 1992: p. 655.

<sup>46</sup> Canner and Luckett, “Developments in the pricing of credit card services”, table 2 p. 656.

higher fees and received lower rates of interest on their deposits. The author found that these trends exacerbated their poverty.<sup>47</sup> Since that study the same trends have accelerated.

Despite relatively low profits (e.g. when compared with mortgages and other types of lending) as the credit card industry was becoming established on a mass basis in the 1960s and 1970s, by 1984 the profitability of credit cards had risen above that for most other forms of lending, as personal indebtedness levels rose. Nevertheless, surveys indicate that in 1989 32 per cent of cardholders owed less than \$500, and an additional 18 per cent owed between \$500 and \$1000, and most cardholders are relatively insensitive to interest rate levels (which in real terms have been very high for much of the last decade).<sup>48</sup> Since 1989, the costs of funds to the card companies have fallen dramatically as the US Federal Reserve cut interest rates aggressively as US inflation fell and the economy moved into recession. Spreads between credit card rates of interest and those paid on deposit or other interest-bearing accounts are now wider than they have been for 20 years. At the same time delinquency rates did not rise any faster than in previous recessions. This allowed the companies to increasingly nuance their operations:

For the most part, card issuers have lowered rates selectively. In some cases, they have targeted their solicitations to individuals deemed to have certain desirable characteristics, an approach made more feasible by the development of extensive data bases and improved techniques for screening potential cardholders. Some of the largest national issuers have segmented their cardholder bases according to risk characteristics, offering reduced rates to a select group of existing customers who have good payment records; higher-risk late-paying customers are charged still higher rates.

The hierarchical sorting of credit card holders seems set to continue:

In the future, segmented rate structures will probably become more widespread as lenders continue to try to categorize accounts by their profitability and price them accordingly.<sup>49</sup>

Finally, the credit card companies have plans to introduce more sophisticated technologies to protect the security of the credit card - for example cards which contain the prints of two fingers. These smarter cards can also be used for tax, social security, and health purposes,

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<sup>47</sup> James Jorgenson, Money Shock: Ten Ways the Financial Marketplace is Transforming Our Lives. (New York, AMACOM, American Management Association. 1986).

<sup>48</sup> Canner and Luekett, "Developments in the pricing of credit card services", table 5, p. 663.

<sup>49</sup> Canner and Luekett, "Developments in the pricing of credit card services", p. 666.

as well as a credit card. They can be programmed to contain an individual's personal health records - indeed they allow for data storage on the card with no central database needed.<sup>50</sup>

### **Economic citizenship and the story of Byron**

This section deals in a little more detail with the insertion of the processes of commodification more deeply into civil society of contemporary capitalism and the way that these relate to the panopticism of everyday life: mediated in part through the credit-allocation process.

Let us now try to describe how this process originates, in an existential and historical sense, for the typical North American member of the world's most televisual society, and then look at specific case: that of Byron. In North America, civil society prepares its future citizens for the moment when they attain the age of economic citizenship, in so far as this is reflected in the possession of credit cards. For example, a recent TV series, produced by the public service broadcasting network, TV Ontario (TVO), and shown in 1992, was an educational course in creating the conditions for obtaining a credit rating. To obtain a credit rating, as illustrated in the first programme, teenagers needed to realise that this is only possible through incurring debt (alone) and by carefully and consistently servicing the debt. Over time, this would establish a clear and documented record of financial rectitude. However, the first problem was access to the initial loan, since this would require a guarantor, who, almost inevitably, would be a parent.

Nevertheless, upon successful servicing a relatively small, initial loan, this particular shackle of parenthood could be sundered, in anticipation of a larger loan, for example, to buy an automobile. The question is, how does a young person service such a loan? The TVO programme emphasised that teenagers should take full responsibility for servicing the loan, for example, by obtaining weekend or evening employment in a grocery store. This would have the combined effect of showing their ability to be good employees as well as maturing, responsible adults.

In this way, young adolescents are groomed for entry into not only the consumer-credit economy, but also, the production structure. Thus, the ability to gain access to the credit system in some ways anticipates the realisation of their economic citizenship. In other words, the acquisition of relatively independent access to financial resources means that North American adolescents begin to develop a capacity to transcend the more traditional forms of discipline associated with the family and the school. In so doing however, one

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<sup>50</sup> Susan Yellin, "Your fingerprints ensure credit card validity", Toronto Star, August 2, 1993.

form of discipline is penetrated and transformed by another: market discipline. In a sense, generational conflict belonging to the sphere of the family is transcended by a common subordination to the laws of the market.

Of course, the capacity to enter the credit system in this way is not equal for all, since the initial point of entry the credit system rests upon the credit-worthiness of the initial guarantor of the first loan.

A recent article in the New York Times examined the case of “Byron”, a forty-year old hospital administrator who was striving 'to restore a tarnished credit-rating'. Byron had accumulated more than \$30,000 in debts, mainly through use of credit cards for tuition bills, furniture loans, and other household expenditures. Hounded by creditors, Byron sought help from “a local consumer credit counselling service. The service interceded with the creditors and now Byron is paying \$649 a month to satisfy the last of his debts.” Byron kept to the schedule of repayments and is now repairing his credit-rating. The article pointed out the costs of doing nothing to deal with the credit problem. The article quoted Jewell L. Bailey, vice president for education with the Consumer Credit Counselling Service of Oregon, which handled Byron's case:

Without a good credit rating, you may not be able to find an apartment or even get a job... Many more employers are ordering credit reports, and a good report is often the deciding factor when a company must choose between one candidate and another.<sup>51</sup>

Information is routinely gathered and stored by credit bureaux on major credit card expenditures, or for loans to finance purchases such as automobiles or houses. Credit bureaux gather information on credit users and sell it to banks, private companies and retailers. The information includes what each account holder owes, or has paid, and whether the payments are up to date. It also includes whether debt collection agencies, or other methods, have been needed to secure payment for bills. Other information, which is within the public domain, such as bankruptcies, or failure to meet taxation payments, are also routinely included. Negative information is usually kept on these records for up to seven years and bankruptcies for ten. Moreover:

And, in three special instances, negative information may be reported indefinitely: if you apply for \$50,000 or more in credit, if you apply for a life insurance policy with

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<sup>51</sup> Deborah M. Rankin “Rehabilitating a shattered credit rating”The New York Times. January 16, 1993.

a face amount of \$50,000 or more, or if you apply for a job paying \$20,000 or more (and the employer requests a credit report).<sup>52</sup>

In the case which has just been outlined, the repair of Byron's credit rating was a painful but necessary process, for he and his family. The burden of servicing is one thing, the black mark against his ability to be part of the productive economy is another. His future access to credit and employment may have been permanently jeopardised even after he has fully repaid his debts. To repair Byron's credit required not only harder work and longer hours on his part, but also on his wife's, since she was forced to take up part-time employment. In this way, the debt burden mandated an additional labour supply, in much more coercive conditions than might have otherwise been the case. It is common in North America for blue-collar and white-collar employees to have more than one job and it is increasingly rare that such second jobs are regulated by unions.

Put in more Marxian terms then, what we seem to have in North America is some evidence of a conjunctural intensification of the rate and a deepening of, the process of exploitation. On the one hand, the rate of absolute surplus extraction has been increasing (e.g. the lengthening of the working day; the growing use of child labour; people having more than one job), shattering the optimistic dreams of the leisure-based society. On the other hand, the rate of relative surplus extraction has tended to grow. More machines and production technologies are applied to the labour process and in the workplace (this latter trend may be linked to evidence of a rise in productivity growth in North America in recent years), thus altering the organic composition of capital. At the same time, the rate of work intensity is increasing. Given the centrality of the United States political economy within the global political economy, these trends are of huge significance for the rest of the world, not least because in some respects the USA internalises the varied conditions of the global division of labour within its own borders (from illegal, unprotected workers to highly paid knowledge-intensive labour). Developments in the USA provoke responses elsewhere, especially in an era of competitive liberalisation and stagnation in many OECD economies. Such trends are important in explaining the growing angst of the American middle classes and the rise of the varied, contradictory, and strident forms of right-wing populism (e.g. Pat Buchanan, Ross Perot and Newt Gingrich). Gingrich's generally punitive attitude towards the poor is tempered by his Tofflerite futurism: for example his desire that welfare recipients be given lap-top computers, so that they can become more productive and technically literate users of the new information highways.

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<sup>52</sup> Rankin "Rehabilitating a shattered credit rating".

## PART III: DEMOCRATIC SURVEILLANCE AND WORLD ORDER

### The risky business of global finance

Global finance is part of the transnational historical structures which intensify the pressures and constraints felt by Byron and the children of North America (and elsewhere) in their everyday lives. Yet it is a system that lies in part outside of national structures of governance and systems of accountability. It operates in a situation of absence of, or under-regulation.

Since the early 1970s, rentier interests in the USA have been at the vanguard of efforts to liberalise global finance, efforts which accelerated in the 1980s (and included ongoing pressure on Japan, for example in the Yen-Dollar negotiations). The USA has also used its influence within the G-7 and the international financial institutions (IFIs) such as the IMF and the World Bank, to press for financial and wider economic liberalisation in the Third World and in the former communist countries. US power, then, is at the centre of the transnational structures associated with what I call the “G-7 nexus”.<sup>53</sup>

Much of contemporary finance has taken a quasi-prudential form, given the propensity to speculation that the system offers and because of the financial risks associated with unstable swings in prices, currencies and interest rates. Nevertheless, the global financial system now seems to be under-regulated and vulnerable to collapse. For example, a review of the recent annual reports of the international association of securities regulators (IOSCO) reveals the

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<sup>53</sup> On the class structures encompassed by this nexus of power see Stephen Gill “The global political economy and structural change: globalising elites in the emerging world order” in Yoshikazu Sakamoto (ed.) Global Transformation (Tokyo, United Nations University Press, 1994), pp. 169-99.

Involved in the “G-7 nexus” are not only the leaders’ and deputies (finance ministers and governors of central banks) meetings of the G-7, but also the international conferences of securities administrators (IOSCO) and the meetings of central bank governors, for example in the Bank for International Settlements (BIS). Each of these exercises relies on the practice of “mutual surveillance”, although dominant interests clearly tend to prevail - for example the USA. In the case of the G-7 deputies, for example, the estimates and proposals of the member countries are scrutinised and criticised by the Managing Director of the IMF, which produces reports on the world economy. These estimates are also compared to those provided by the OECD, in its country and other studies. In turn the G-7 policy-making process is intimately related to scrutiny by, and inputs from, private organisations and councils with either particular or general interests, such as the Group of 30 (financial innovation and supervision); individual firms such as Moody's, Standard and Poor's, IBCA (private credit-rating of corporations and governments), big players in the currency markets (mainly institutional investors - fund managers, pension and insurance companies - or wealthy individual speculators such as George Soros).

rapid strides being made in the integration and automation of stock markets world wide, and a growing concern - especially since the 1987 world stock market crash - over the adequacy of surveillance mechanisms and the monitoring of traders by supervisors. A primary impetus for the introduction of ever-higher levels of technology in the world of finance has come from the USA and Canada (the Toronto Stock Exchange had the world's first automated market system in 1977), with the US NASDAQ market a leader in "automated market surveillance facilities".<sup>54</sup> Linked to this was growing competition in financial services which was a major trend of the 1980s. Because of the fungibility and mobility of financial forms of capital, holders of such capital respond to changes in information very rapidly indeed (in many cases this response is automated through computerisation).

Increasingly, global finance is characterised by the explosive growth of exotic financial instruments (such as derivatives) which are designed to offset or hedge various risks in a market-based system. These risks include vulnerability to market risk (involving price fluctuations); counterparty credit risk (involving the threat of default by the other party to a contract); liquidity risk (where one financial instrument is difficult to replace quickly at something approximating its 'fundamental' value); operational risk (e.g. failures of internal control, perhaps involving fraud, human error or computer malfunctions). In early 1994 there was growing international concern at the degree to which such derivatives might be, as the noted financial journalist, John Plender has put it, "a multi-billion dollar accident waiting to happen". Some companies - in the context of a "competitive maelstrom" where "frenetically mobile capital seeks out the highest returns" - have, however, lost huge amounts in derivatives trading, for example Metallgesellschaft of Germany lost US\$1.4 billion in oil derivatives and Kashima Oil of Japan some US\$1.5 billion in foreign exchange derivative trading in early 1994. The same fate has befallen local governments, for example in the UK, although on a smaller scale. Since off-balance sheet derivatives trading is not only a kind of modern-day equivalent to alchemist's gold, but also, assumed to be a largely zero-sum game, these losses were offset by the gains of others.

Nevertheless, a 1993 Bank of England study, quoted by Plender, concluded that the trading by largely unsupervised hedge funds was a "a supervisory hole at the very heart of the derivatives markets" - partly reflecting the absence of a panoptic or surveillance capability in the derivatives industry. Plender adds:

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<sup>54</sup> Gunther Broker, "Automation of Securities Markets: Implications for their Functioning and Surveillance", Presentation to the Presidents' Committee of IOSCO (International Organisation of Securities Commissions). Thirteenth Annual Conference of IOSCO, Melbourne Australia, November 13-17, 1988, p 7.

In this twilight world everyone depends heavily on the rating agencies. Yet Moody's, for one, admits that a large proportion of outstanding contracts are too new for it to feel sure that the risks are low... [moreover] risk-shifting instruments also have a way of pushing risks on to those least able to absorb them... The real problems, both for individual banks and for the system, are about opacity, leverage and lack of managerial competence. Central bankers will have to be on their mettle if that potentially lethal combination is not to lead to trouble.<sup>55</sup>

This situation is both dangerous and politically complex. Most voters are also wage earners, and contribute to pension and insurance plans, which they like to see grow - thus the bloc of rentier or creditor interests is enlarged politically and economically. Indeed, many of the world's biggest players (and speculators) in the global financial markets are the pension funds and insurers, as well as the large hedge funds who each compete to increase their post-tax rate of return, to assure fund growth and profits and thus attract more customers/savers. What is needed, here, are attempts to raise the awareness of pension contributors and holders as to what is, or might be, really happening to their life savings - and to alert them to the potential dangers of their savings being linked to many of the exotic financial derivatives which are used to offset risks. Much of US investment banks' derivative dealings are carried out through unsupervised special-purpose subsidiary firms, who, paradoxically, are often given higher credit-ratings than their parent bank. Moreover, little information is disclosed about the counterparties to the contracts issued:

The creditors of Kashima, for example, might have thought they were dealing with a company that was exposed to a fluctuation in oil prices. Yet it turned out to be a foreign exchange dealer, running currency risks on a scale that wiped out its capital.<sup>56</sup>

The problem here, then, is the way that the pace of financial innovation, in the context of intense competition, threatens to self-destruct in the absence of meaningful regulation - and the global financial system is only as strong as its weakest link. Derivatives traders may be taking imprudent risks in anticipation of a government bail out, for example where the central bank acts as a lender-of-last-resort: the type of socialisation of risk that the market-based derivatives industry was meant to self-regulate and offset. This force-field of constraints and dangers stemming from financial innovation and rentier orthodoxy has meant, at least with regard to the evidence of the 1990s, a redefinition of accountability in favour of market forces - and, by implication a looming crisis of accountability for a range of governments who both supervise, and operate within, the context of the derivatives

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<sup>55</sup> John Plender, "Through a Market, Darkly", Financial Times, May 27, 1994.

<sup>56</sup> Plender, "Through a Market, Darkly"

markets. The everyday practices of public administration have begun to be recast in order to sustain this new form of market-based, as opposed to popular, accountability.

As noted above, the US is privileged in the global financial structure and is better able to capitalise on its risks and opportunities than any other government. On the other hand, what more could be regarded as in US “national interests” than to ensure full and adequate surveillance of and further penetration into the commanding heights of global finance - not only to extend US power, but also to strengthen a fragile structure of economic governance?

We have in part established that the United States and its primary allies (especially the UK) have the capacity to intervene in and to systematically re-regulate global finance. The question is why does this not happen, when the dangers associated with the current situation are quite obvious?

One explanation relates to the blocs of social forces which have come to predominate in a range of forms of state: the dominance of the ever-larger rentier blocs in financial politics and economic policy. This has occurred in a climate of opinion which has increasingly condoned a get-rich-quick mentality, and an instrumentalism which permits either imprudent and/or myopic lack of oversight on the part of the G-7 leaderships. This is also reflected, at the highest levels of corporate capitalism, in the adoption of the market practices that even the smallest English shop-keeper would be cautious of. Increasingly, corporate finance officers (and the treasurers of public funds) seek to hedge risk with products they do not understand.<sup>57</sup>

A second explanation relates more to the shadowy relations between, on the one hand, the USA’s security complex and the global financial system, and on the other, between aspects of global finance and politically influential figures in politics and government in many other parts of the world. Some aspects of these relations were revealed in the wake of the collapse of the Bank of Credit and Commerce International (BCCI) - sometimes referred to as the Bank of Crooks and Cocaine International - the case of which is examined after a brief

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<sup>57</sup> Another recent example which appears to reflect this mentality was the collapse of Barings Bank, revealed on February 25, 1995, with some \$1.3 billion in losses caused by one employee (Nick Leeson) gambling recklessly on derivatives associated with the Nikkei Index and Japanese government bond prices (he thought the Nikkei would rise as reconstruction following the Kobe earthquake pushed up the Nikkei). Leeson acted with the apparent knowledge of his superiors who placed no limits on his trading activities, believing him to have the Midas touch. The Barings collapse had been preceded by the largest municipal bankruptcy in history: Orange County, California (the loss here was \$1.7 billion) on December 6, 1994. This seems to have been caused by the County’s financial controller gambling on the financial markets with insufficiently hedged positions. For details see Business Week, March 13, 1995.

discussion of the scale and purpose of the United States intelligence apparatus. Part of the work of this apparatus is to keep track of developments within the global financial system.

### **Intelligence agencies and finance**

This essay would not be complete without reference to the ways that surveillance has been conventionally understood in the post-war period: that is to the world of espionage and intelligence so convincingly portrayed by John Le Carré, involving the systematic gathering of information by states about other states and citizens, intimately connected to war, or anticipation of war. The goal (which is theoretically and practically impossible to realise) of the individuals who are the heads of these security structures - with the USA at the apex - is to place both friends and enemies alike under total surveillance.

The world-view of the Pentagon has tended to be territorialist and mercantilist in conception, and has focused in a rather obsessive way on countervailing Soviet power and exercising control over Third World nations, even if this has meant supporting the most odious dictatorships. Traditionally, therefore, the Pentagon has been part of what I have called a nationalist-mercantilist bloc of forces, whereas the corporate mainstream and financial services firms (which have benefited less from highly profitable Pentagon contracts and subsidies) has tended to be more internationalist and economically liberal in orientation. Whether the stance of the Pentagon will change, and in what ways, is a key issue for the question of global security in this and the next century. We might expect to see a reconfiguration of the US military and security apparatus in ways which will ensure that its relative autonomy is constrained so that, in general, its operations are associated with policing, disciplining and punishing, those who seek to challenge the basic principles of disciplinary neo-liberalism.

The USA's surveillance apparatus has a degree of relative autonomy, and in the past has not operated in ways which are entirely commensurate with a free-market style of neo-liberalism in the USA. The intelligence apparatus not only wields enormous political power and influence, it also "exhibits most of the typical attributes of large bureaucratic organisations, including a tendency to define and pursue bureaucratic political objectives which are not necessarily in complete concordance with the national interests of the five UKUSA countries themselves".<sup>58</sup> The infrastructure for the US intelligence apparatus was created during wartime, under the direction and training of the UK's MI6, in the form of the Office of Strategic Services (OSS) and was cemented internationally by the UKUSA agreements

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<sup>58</sup> Jeffrey T. Richelson and Desmond Ball, The Ties That Bind: Intelligence Co-operation Between the UKUSA Countries. Second edition. (London. Unwin Hyman, 1990) p. 301.

which formally bound and subordinated the intelligence agencies of the major English speaking countries (and others added later) to that of the USA, with the US-UK link at its heart:

The UKUSA agreements of 1947 were the foundation for a global network of sophisticated electronic eavesdropping technology, but the subtext, as it were, of these agreements was the institutionalised hegemony of American TECHINT (technologically obtained intelligence) with its nerve centre at Fort Meade, Maryland, the headquarters of NSA.<sup>59</sup>

One of the most crucial agencies, and the only one not subjected to Congressional oversight, then, is the National Security Administration (NSA) with apparently over 250,000 employees. NSA, with its headquarters at Fort Meade, Maryland, is “the largest and most secret intelligence agency”, “the heart of the product”, “the inner circle of secrets”.<sup>60</sup> The NSA - with a budget of \$16-18 billion tends to focus on military information, but gathers information of all types. NSA is allowed all the “raw” intelligence data of its junior partners, in exchange for which it returns “processed data”, which has some advantages to partners in that it allows them to obtain a finished product, although simultaneously it allows the US agencies to influence their view of the world and their interpretation of particular developments and trends.<sup>61</sup> The NSA budget is several times larger than that of the CIA, although its overall direction is the authority of the Director of the CIA.<sup>62</sup> As noted, the NSA specialises in electronic eavesdropping, in major listening posts world wide, as well as in small teams placed in US Embassies, using data from satellites, spy-planes, and aerial surveillance, and an exotic galaxy of other technical devices for gaining access to the information and thoughts of others: “friends” and “enemies” alike. For example, the NSA station at Menwith Hill, Harrogate, intercepts European and transatlantic telecommunications, and works in tandem with the British government's own top-secret listening and code-breaking facility, GCHQ in Cheltenham. A third major facility is at Pine Gap, Australia.

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<sup>59</sup> Reg Whitaker, “Security and Intelligence in the Post-Cold-War Era” New World Order? Socialist Register 1992. Edited by Ralph Miliband and Leo Panitch, (London, Merlin Press, 1992) p. 119.

<sup>60</sup> Bob Woodward, Veil: The Secret Wars of the CIA 1981-1987. (New York, Simon and Schuster, 1987) pp. 22; 46; 47.

<sup>61</sup> Whitaker, “Security and Intelligence in the Post-Cold-War Era” p. 119.

<sup>62</sup> Woodward, Veil , p. 47. Although far from perfectly effective (the CIA consistently over-estimated Soviet military strength in the 1970s and 1980s and a lack of co-ordination between NSA and the CIA meant intelligence in Iran prior to the Revolution in 1979 was very poor), nevertheless this intelligence network has virtually controlled entire Third World governments (e.g. in the 1980s: Habré of Chad; Zia of Pakistan; Doe of Liberia, Marcos of the Philippines; Nimeri of the Sudan; Gemayel of Lebanon, Duarte of El Salvador).

The intelligence agencies encompassed by UKUSA were organised primarily with the Cold War in mind, and targeted primarily against the Soviet Union. In a post-Cold War era the Western intelligence world is in some confusion, since its very target, made massive in the war of propaganda, has virtually vanished, and been shown to be no match for the West - in this sense, it is not quite business as usual. Who is the enemy? Japan? France? The Third World? Since economic challenges to US primacy are more diffuse, even US “friends” are a potential target of surveillance, especially for the US agencies, if intelligence theorists and Pentagon planning documents are to be believed. The USA appears to be attempting to construct a more independent and flexible military-intelligence strategy to cope with the new situation, although because of its scale and organisational structures change may come slowly.<sup>63</sup>

At stake is nothing less than ... the entire institutional and ideological underpinning of intelligence in the postwar world. And in particular it is American hegemony over the Western intelligence community. Alliances, after all, only work when there is a common enemy. There is moreover a huge capital and labour investment in Cold War-driven intelligence. TECHINT is like a gun; however sophisticated the technology, it must be pointed at a target. Reconnaissance satellites, for instance, have fixed orbits and cannot be simply and cheaply redeployed to new targets. But HUMINT [intelligence gathered by humans] too has its own ‘inertial thrust’ (to steal a phrase from E.P. Thompson). Years of painstaking work in building up networks of agents and sources will not easily be set aside.<sup>64</sup>

Nevertheless, there is evidence that the reorientation of the US intelligence apparatus, to increasingly encompass commercial, industrial and financial information has increased. Indeed, the question of the future priorities and purposes of the US security apparatus also needs to be set in the context of the economic surveillance activities of the Departments of Treasury, State, Energy, Customs and Immigration, Coastguard Service, etc. Increasingly these operations are likely to focus on the economic perhaps more than the military sphere, although it remains to be seen if bureaucratic rivalries and turf wars can be minimised. One

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<sup>63</sup> For example, the draft version of the Pentagon's Defence Planning Guide for the Fiscal Years 1994-99, argued that the USA should actually strengthen its military in the post-Cold war era and the US would insist on the right to monitor the activities of others. Since the USA was now the only military superpower, and other states were cutting defence budgets, the US position in the world would be strengthened further if there was a larger, more flexible and more mobile military, so that the US could act independently if it could not secure collective action (as it did successfully in the Gulf War). See Peter Tarnoff, “No one needs another hero”, Japan Times, March 23, 1992.

<sup>64</sup> Whitaker, “Security and Intelligence in the Post-Cold-War Era” p. 121.

of the means of mobilising coalitions within the United States government apparatus, as well as internationally has been the “war on drugs” and the offensive against “terrorism”, (the more traditional forms of covert action and destabilisation associated with recent CIA activities in Angola, Mozambique, Chad, and other parts of Africa seem likely to continue when deemed necessary).

The new analytic and information-processing capability of the US intelligence community is linked, in part, to the new ideologies of national competitiveness and disciplinary neo-liberalism, and in this sense, they represent a shift partly away from Cold War dogma. This reorientation is reflected, for example, not only in hiring academics for independent analyses of the abilities of the CIA to provide better quality intelligence.<sup>65</sup> It is also reflected in an article written in 1991 by Admiral Stansfield Turner, former Director of the CIA, concerning the new goals of US intelligence, and which parallels the emphasis placed by the Clinton Administration on “economic security” as the number one policy priority:

We live in an information age... Information has always been power, but today there is more opportunity to obtain good information, and the United States has more capability to do that than any other nation... The preeminent threat to US national security now lies in the economic sphere. The United States has turned from being a major creditor nation to the world's largest debtor, and there are countless industries where US companies are no longer competitive. This means we need better economic intelligence. The United States does not want to be surprised by such worldwide developments, new mercantilist strategies, sudden shortages of raw materials or unfair and illegal economic practices that disadvantage the country. [There needs to be] a more symbiotic relationship between the worlds of intelligence and business.<sup>66</sup>

Intelligence is already widely used in business, since industrial espionage is common, and the Iran Contra and BCCI scandals revealed the ability of governments to privatise foreign policy and (clandestine) warfare. The reorientation of intelligence towards the economic sphere is likely to combine both macro assessments, using databases to assess world-wide production, capital and resources flows and stocks, demographic shifts, migration, etc., and at the micro level of individuals and firms, it is likely to capitalise on the surveillance technologies now being used within the corporate sector which were discussed earlier in this essay. US intelligence has a probably unmatched lead in TECHINT, which can be used for these purposes. By contrast, Japanese intelligence is strong and expanding (but

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<sup>65</sup> Examples mentioned by Woodward in *Veil* are Columbia Professor Robert Jervis who wrote a 100-page report - which was scathing - on intelligence and the Iranian Revolution, and former Johns Hopkins University President, Professor Lincoln Gordon who chaired external review committees during the 1980s. Another is Harvard's Joseph Nye, a Clinton nominee for the CIA.

<sup>66</sup> Cited in Whitaker, “Security and Intelligence in the Post-Cold-War Era” p. 126.

compared to the US still relatively limited). Nevertheless, large Japanese ministries, such as the Ministry of Finance, are very strong in their particular areas of knowledge. Japan also has excellent intelligence at the company level, e.g. the research arms of the keiretsu groups, and especially large brokerage firms such as Nomura Securities. The west European intelligence agencies are more fragmented and divided by the close interrelationship they have with the USA, and do not have the economies of scale or the USA's technical capability. Moreover, the UKUSA arrangements give the US a massive bridgehead into Europe, and the ability to place European telecommunications and data flows under constant surveillance.

Admiral Turner is correct that the US is the world's largest debtor, but the vast majority of US government debt is owed to Americans (with Japanese companies holding a large proportion: much of this holding has been reduced in real terms by the large depreciation of the dollar against the yen since 1985 - some estimates put Japanese losses at over \$350 billion). Moreover, virtually all of it is issued in dollars, the national currency of the USA, which means that the USA much less likely to be exposed to the possibility of a foreign exchange crisis than most countries, even when its external debts are ballooning. Indeed, US policy makers from Nixon on have made use of the dollar weapon (e.g. in a series of competitive devaluations when circumstances seemed propitious) and capitalised on the depth and flexibility of US financial markets to help maintain the net transfer of resources into the USA which is the necessary counterpart to the US balance of payments deficits. This US centrality stems indirectly from the construction of the Bretton Woods system in 1944, and the US role in post-war reconstruction.

### **Illuminating the dark side of the panopticon**

The USA has been at the forefront of attempts to promote inter-governmental co-operation to combat the growth in the global networks of organised crime, attempting to bring together police (e.g. INTERPOL) customs, treasury, intelligence and banking officials together as a response. Much of the crime relates to copying of prestige-name products (such as Rolex and Cartier watches) which are smuggled to (often first-world) markets. Much of it relies on high technology, for example in child pornography, money laundering, illegal arms and narcotics trafficking, and even, the growth in the macabre trade in human organs (for example taken from abducted street children in Latin America, who are then killed. Their organs are then implanted in wealthy patients in private clinics in the first world).

As noted, the United States government and many senior politicians have taken a very public interest in money laundering associated with the illegal drug trade, which was estimated to have sales in the USA in excess of US\$100 billion in 1991. In 1990 the Clearing House

Interbank Payment System, the primary wholesale electronic funds transfer system processed about 37 million transfers between US-based and foreign banks, in transactions valued at about \$222 trillion, so although massive in absolute size, such money laundering only represents a small fraction of the total transacted.<sup>67</sup> A large proportion of the funds were laundered through the USA and offshore banks. Much of this is laundered through electronic funds transfers, but, despite their exotic surveillance technologies, US regulators claim that this is still difficult to track. One would imagine, however, that NSA might be able to help them in this task. The US has set up a series of internal review committees, such as FINCEN, with elements drawn from the financial bureaucracies and the police and security agencies to co-ordinate its own strategy. To attempt to stop money laundering, FINCEN has a contract with the Los Alamos National Laboratory to develop a statistical screening tool capable of identifying “anomalous bank cash holdings and flagging potentially illicit activities” and US customs has recommended “bar coding” US currency to “facilitate identification and tracing of ‘dirty money’ as it moves through the laundered circles... the Crime Control Act of 1990 directs Treasury to assess this technology”.<sup>68</sup>

The US has conducted a large series of negotiations with at least 50 foreign governments on the protocols for co-operation, and has put pressure on at least 18 others to comply with its requests to obtain information in this area. The July 1989 Paris G7 Summit established a Financial Action Task Force to promote co-operation and action against money-laundering, and the task force report was released on April 19, 1990, with definitions of, and recommendations to stop money laundering. The report was endorsed at the 1990 Houston G7 Summit and the task force activities were extended for another year. However, the Administration has kept the real contents and outcome of negotiations - with not only the G7, but also the large number of other countries - classified, and has kept its records concerning the implementation of US legislation secret, even from the Congressional General Accounting Office.<sup>69</sup>

Some of this secrecy may have been prompted by the fact that the US intelligence services make significant use of the global financial system for their world wide operations, often using the system to launder funds for their own or their clients’ use. This aspect of the global financial system was revealed in the case of the now bankrupt BCCI, which was used by the CIA in a number of ways, notably to funnel funds to finance the secret wars in Afghanistan and Nicaragua, especially during the period (1981-87) when the Director of

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<sup>67</sup> US General Accounting Office, Money Laundering: The U.S. government is responding to the problem, (Washington DC, USGAO/NSIAD-91-130), p 13.

<sup>68</sup> US General Accounting Office, Money Laundering, p 50.

<sup>69</sup> US General Accounting Office, Money Laundering, pp 52-53.

Central Intelligence (DCI) was William Casey. Casey was an OSS veteran who ran spy networks in Germany between 1943-45, and later was a member to the Advisory Council of the Arms Control and Disarmament Agency. Casey also was a successful and free-wheeling businessman, and served as Head of the US Securities and Exchange Commission in the early 1970s, and was also head of the US Export-Import Bank, which as Bob Woodward in Veil noted, admitted him to the “central bankers’ club”.

Casey was appointed to head US intelligence by Reagan to improve the effectiveness of US intelligence after the failures associated with the Iranian revolution. He replaced Admiral Stansfield Turner, Carter's intelligence chief. Casey had the operational, business and financial expertise to lead the CIA into the new conservative era and to roll back the enemy. For Casey this involved improving the co-ordination between the CIA and the NSA (see below) and to shake up an intelligence service dominated by “HYPs”: graduates from Harvard, Yale and Princeton. According to Bob Woodward, Casey was the mastermind behind the clandestine warfare practised by the Reagan administration during the 1980s. It has been alleged that the cost of such clandestine operations by the CIA and “friendly” governments were in excess of \$2 billion during the 1980s, and that the bulk of this was stolen from BCCI by corrupt Pakistani officials.<sup>70</sup> Casey met Hasan Agha Abedi, the founder of BCCI, “every three or four months”.<sup>71</sup> The BCCI was used in the Iran-Contra connection to finance US arms sales to Iran and to the Nicaraguan Contras, contravening US statutes and in the face of Congressional opposition.<sup>72</sup> At least \$50 million funds for Iran-Contra were raised directly by the CIA from other (unidentified) governments. A donation of \$10 million, apparently from Brunei, never reached the intended Swiss bank account because of a typographical error.<sup>73</sup>

The BCCI eventually collapsed with upwards of \$10 billion in lost or stolen assets in more than 70 different countries. The Bank of England (BOE) finally pulled the plug on July 5, 1991. The BOE, using its British establishment connections, managed to fend off criticisms of incompetence and malpractice, and, more important, a US-style enquiry (what did take place was the Bingham Inquiry which kept the probe a limited one, and did not press the

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<sup>70</sup> See John Kerry and Hank Brown, “The BCCI affair” A Report to the Senate Committee on Foreign Relations by the Subcommittee on Terrorism, Narcotics and International Operations. 102nd Congress, 2nd Session, Washington DC, US Government Printing Office 1991. Hereafter referred to as The Kerry Report.

<sup>71</sup> Jack Colhoun, “BCCI: Bank of the CIA” Covert Action. 44 (1993) p 40.

<sup>72</sup> Colhoun, “BCCI: Bank of the CIA” pp. 40-41.

<sup>73</sup> William S. Cohen and George J. Mitchell, Men of Zeal: A Candid Inside Story of the Iran-Contra Hearings. (New York, Viking, 1988) pp xii-xx.

BOE failure to observe international banking supervisory standards agreed with the Bank of International Settlements). This was despite substantial evidence of neglect and lax regulation of a bank which expanded to a value of \$20 billion.<sup>74</sup> The BOE had evidence of BCCI malpractice for a considerable time (from at least 1982, and more clearly from 1988, when serious and specific complaints were received concerning BCCI by the BOE, and when 7 BCCI staff were convicted of drug-trafficking and money laundering in Tampa, Florida). Price Waterhouse, the BCCI auditors in the UK, were also allowed to escape full scrutiny, for similar reasons one would suspect.

Many key political figures world-wide were implicated in its illegal activities, including leading US establishment figures, such as Clark Clifford, the former US Secretary of Defense, and Lord Callaghan, the former British Prime Minister, who for at least seven years had been a close friend of Hasan Agha Abedi. Callaghan acted as an unofficial advisor to BCCI.

Most of the victims of the BCCI scandal were small businesses in over 70 countries throughout the world. One million small depositors lost their money, as well as central banks, government organisations and investment funds, and government officials.<sup>75</sup> The countries involved included several Latin American and Caribbean countries, Abu Dhabi, Bangladesh, Belgium, Iran, Italy, Hungary, Korea, Liberia, Libya, Nigeria, Pakistan, the Philippines, Saudi Arabia, Senegal, Spain, Switzerland, Thailand, Turkey, The United Arab Emirates, Yugoslavia, and Zambia, each of which has a trail of BCCI bribery and corruption. The BCCI had portrayed itself as “the Third World's bank”: a bank which would help the underprivileged of the world to have access to global credit structures under terms and conditions ordinary people could afford. The Kerry Committee was blunt about what was really involved:

The Subcommittee has developed extensive documentary and testimonial evidence of BCCI's systematic reliance on relationships with, and as necessary, payments to, prominent political figures in most of the 73 countries in which BCCI operated. BCCI records and testimony from former BCCI officials together document BCCI's systematic securing of Central Bank deposits of Third World countries; its provision of favours to political figures; and its reliance on those figures to provide BCCI itself with favours in times of need.<sup>76</sup>

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<sup>74</sup> Financial Times, Financial Regulation Report, November, 1992: pp. 2-6.

<sup>75</sup> The Kerry Report, p 99.

<sup>76</sup> The Kerry Report, p 101.

## Conclusions

In the last two decades there has been a global a shift towards a system more based upon a politics of supremacy and subordination, a disciplinary politics which works at micro and macro levels of everyday life. The public realm, in the narrow sense, is configured less by the dictates of representative government, or indeed self-government in the classical sense used by Locke, although some elements of civil society (bound up with global finance) have become self-regulating to the degree that they threaten to self-destruct.

It is a contradictory situation in which the dominance of capital, and the politico-military interests of the world's most powerful government are more clearly asserted in and across a range of hybrid forms of state, of which some are more neo-liberal than others. Although one could argue with some justification that the recent extension and deepening of market forces world wide is the latest phase of the bourgeois revolution stretching from the Glorious Revolution of 1688, the question then, as now, is “glorious for whom?”. According to Christopher Hill the period 1603-1714 was perhaps the most decisive period in English history, the moment when Britain began to enter the modern world. However, the condition of ordinary people hardly changed at all, and in some ways it markedly deteriorated. The Glorious Revolution was, according to Hill, a restoration of power to the traditional ruling and propertied classes, and was, in effect, a revolution of the strong and the rich, against the weak and the poor. It did, however, create a political space for the expansion of incipient bourgeois power.

Attempts to embed a more systematic form of neo-liberal discipline and surveillance are growing in the spheres of production, credit and consumption, as well as in policing and security powers. However, at the very point where the global political economy is both accelerating in terms of the speed and the geographical reach of capitalist restructuring, we see a bankruptcy of conventional political alternatives, a kind of historical regression where the changes are being linked to archaic notions of political economy and constitutionalism associated with nineteenth century utilitarianism and liberalism. Such discourses of power seek to both discipline and to legitimate the new competitive struggle in the streets, in the villages, in the cities: the points where the pressures, constraints, and contradictions of the process of globalisation are localised and applied.

At the same time the growth of the forces of reaction world-wide, the sense of alienation with mainstream politics, and the general perception that governments have become more and more ineffective shows that the trajectory of disciplinary neo-liberalism is unsustainable politically. The intensification of surveillance in the work place and in the streets are signs of a crisis of motivation, social order and government legitimacy.

A second conclusion, which follows directly from the above, is that the governance structures of the global economy that have accompanied this trend are inadequate, socially irresponsible and lacking in democratic accountability. Whilst the G7 and associated international financial institutions (IMF, World Bank, Bank for International Settlements) have become the de facto institutions of global economic governance, their performance has been far from satisfactory in the last 20 years, and the G7 nexus represents an incomplete and inadequate form of the internationalisation of authority. The above examples - from the Iranian assets seizure, to the BCCI, to international co-operation on money laundering, the BIS and IOSCO - show that if the USA (and its G-7 partners) were really serious, for example, about controlling the instability, illegality and macroeconomic contradictions of global finance, they could use a variety of measures to help bring about greater international co-operation. This would allow some re-regulation so that, at least at the macroeconomic level, in the words of New Deal Secretary of the Treasury Morgenthau, production could become the “master” rather than the “servant” of financial interests. Surveillance capabilities could be put to more socially beneficial and accountable uses.

Moreover the regulatory problems noted above need to be set in the context of macroeconomic and other economic policies. During much of the late 1980s and early 1990s, instead, we have witnessed a continuation of the politics of austerity. This was especially the case, in Europe, and Japan, in many parts of the Third World, with virtual economic collapse in many of the former communist-ruled countries. China and parts of east Asia remain exceptions to this general macroeconomic trend. Macroeconomic austerity policies produced what economists call “the fallacy of composition”. That is, if all deflate simultaneously, e.g. through aggressive budget cutting and tax increases for the immobile lower and middle classes, with tax breaks for mobile capital, it tends to produce economic depression for most of the population. Indeed, in the European case, there was a competitive aspect to state policies, despite the European co-operation mechanisms, as each European Union government competed to provide a low inflation and more pro-business climate.

Thus, ironically, some of the contributors to the pension funds and institutional players in global financial markets, that press consistently for macroeconomic austerity, lose their jobs. Unemployment becomes structural, as it has in Europe. Macroeconomic policy needs to be democratised, not simply made by fiat of “market forces”. This points to the need for a more socially responsive form of global economic co-operation than allowed for by the G-7 process as it currently operates.

More generally, a much more democratic and representative form of the globalisation of authority is needed. Moreover, some form of collective action is needed to seek to avert ecological catastrophe and to sustain the precarious balance between economic growth and development and the integrity of the biosphere. This requires new concepts of multilateral action, other than those of the G-7 nexus, which in effect tends to grant representation on the pragmatic basis of either wealth and power or military might (e.g. proposals to extend the G-7 to a G-8 in this sphere, by including Russia, and potentially making a G-9, including China).

The surveillance power of institutions like the IMF and the Bank for International Settlements, in conjunction with the new World Trade Organisation and the International Labour Organisation is considerable. These organisations could be used, if they were made more democratic and accountable, to promote an improvement in not only global access to capital and other resources for those who most need them, but also conformity to civilised standards in the workplace and economy more generally - standards which are being violated world wide, including the USA. This is occurring whilst United States Labour Secretary, Robert Reich, presses for environmental and labour protection under the auspices of the new World Trade Organisation. This type of more accountable and representative control over the use and disposition of surveillance could be linked to what I call “democratic cross-conditionality”. By this I mean the development of forums which would allow for democratic oversight of the range of international organisations and indeed the broad G-7 process. This could be applied, for example, to make sure that trade agreements and the World Trade Organisation were consistent, not only with policies to preserve the environment, but also with the sustainability of basic fundamental social and public provisions, considered as basic social rights.

By the same token, the often shadowy co-ordination of monetary policy at the Bank for International Settlements might be brought to the scrutiny of the light of reason, even if this were perceived by central bankers as akin to removing the veil of mystery which once surrounded the inner circles of the Holy Roman Empire. The BIS world-view is dominated by ideas of monetary soundness and the rentier outlook associated with what Karl Polanyi called haute finance in what Susan Strange, in Sterling and British Policy, called the “international free-masonry” of bankers.<sup>77</sup> Such all-male “clubs” need to be opened to new members. Central banks might return to the mandates of the 1930s and 1940s when they were required to secure the general health of the macro-economy and to fight not only inflation but also unemployment. The current obsession, by contrast, is with seeking to secure zero inflation while real interest rates are at usurious levels (zero inflation was

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<sup>77</sup> On the workings of the BIS, and the way it makes informed “guesses” at policy, see Susan Strange, Casino Capitalism, Oxford, Blackwell, 1986, pp. 137-142.

achieved in Canada and Japan in the early 1990s; in both cases the price level actually fell). The boards of central banks should, with due regard for expertise, include representation from the society at large, so that the central bank's directorate pursues more socially responsible policies.

This might happen if and when a continuation of the politics of deflation and austerity for the majority of the population coincided with a substantial financial collapse, generating an unstoppable demand for a substantial re-regulation of global finance. In principle, global oversight of economic arrangements should involve elements of global civil society that are more representative of the world's citizens. Such agents of global civil society might include grass-roots organisations (GROs), worker representatives, environmental and women's groups, indigenous peoples, as well as elements drawn from mainstream politics - and not just bankers and institutional investors. Democratic elements might be brought together, on the one hand, by a positive and constructive recognition of common interest in protecting the biosphere, in re-regulating the global economy so that it is made both more stable, more sustainable and more equitable, and on the other hand, by a common aversion to fundamentalism of either a religious, political and especially an economic kind. These conditions would, to paraphrase Isaiah Berlin (1958) help to constitute and to embed politically a combination of positive and negative conceptions of freedom (freedom to and freedom from), a requirement of general political equality and a principle of social equity. Such conceptions might facilitate constructive forms of global democratisation in the 1990s and beyond.

All of this would presuppose the mobilisation of a collective and highly differentiated political will at local, global, national, regional and international spheres of political life. For such a mobilisation to succeed, it would require not only ideas and networks, but also institutional and material capabilities, access to resources, and the capacity to demonstrate in practical ways the ability to meet the broad needs of the people. Such power - understood not in the sense of "power over" or dominance, but in the positive sense of the mobilisation of the capacities of people to do certain things - is needed to countervail and to democratise the power of capital on a world scale - and to challenge the discourses and practices which justify and serve to sustain such dominance. This is not the same as, and does not entail the abolition of markets, or indeed, the replacement of the market as an institution by a totalist vision of state planning or the myth of the construction of a new global panopticon dedicated in Benthamite fashion to the promotion of the felicific calculus. It does, however, mean that the constitution of society, and thus of markets, is not premised upon the pure commodification of human life and of nature, and it does mean the constructive and creative use of technology - as opposed to the application and use of social technologies which repress and intensify exploitation. This would not produce a single

“ethical state”, or a necessarily “good” society, but it would provide minimum criteria for new models of global governance, and for new principles and processes of political accountability.