Title
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Permalink
https://escholarship.org/uc/item/9g85730f

Journal
Critical Sociology, 28(3)

Author
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Publication Date
2012-05-29

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Crit Sociol 2012 38: 349 originally published online 19 December 2011
DOI: 10.1177/0896920511411592

Critical Sociology

Article

Critical Sociology
38(3) 349–363

DOI: 10.1177/0896920511411592
crs.sagepub.com
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Global Capitalism Theory and the Emergence of Transnational Elites

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Abstract
The class and social structure of developing nations has undergone profound transformation in recent decades as each nation has incorporated into an increasingly integrated global production and financial system. National elites have experienced a new fractionation. Emergent transnationally-oriented elites grounded in globalized circuits of accumulation compete with older nationally-oriented elites grounded in more protected and often state-guided national and regional circuits. Nationally-oriented elites are often dependent on the social reproduction of at least a portion of the popular and working classes for the reproduction of their own status, and therefore on local development processes however so defined, whereas transnationally-oriented elites are less dependent on such local social reproduction. The shift in dominant power relations from nationally- to transnationally-oriented elites is reflected in a concomitant shift to a discourse from one that defines development as national industrialization and expanded consumption to one that defines it in terms of global market integration.

Keywords
capitalism, class fractions, development, globalization, transnational elites, transnationalism

Introduction

My objective here is to offer as theoretical reflection a ‘big picture’, that is, a macrostructural perspective through which to approach the theme of elites and development. A genealogy of inquiry into global inequalities and development in the modern era is a study in the origin and evolution of the critique of capitalism and the distinct social forces and class agents that this system generates. Hence, how we conceptualize the role of elites in development will be tied to how we analyze capitalism as a world system and more specifically how we analyze its distinct social forces and class agents. In a nutshell, I suggest that globalization represents a new epoch in the ongoing evolution of world capitalism distinguished by the rise of a globally-integrated production and financial system, an emergent transnational capitalist class, and incipient transnational state apparatuses. Structural changes in the world economy associated with globalization have contributed to a new

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fractionation among elites in the former Third World between nationally-oriented and transnationally-oriented groups. These two overlapping yet often competing sets of elites pursued distinct development strategies in the late 20th and the early 21st centuries. The former sought to build up national circuits of accumulation while the latter sought to integrate local circuits into new transnational circuits of accumulation. These contrasting strategies for development involved distinct sets of policies: the one, policies that would protect local agents from global competition; the other, policies that integrate local agents into emergent transnational circuits.

My propositions on globalization and in particular on national and transnational fractions of the elite grounded in distinct strategies of accumulation depart from conventional wisdom yet grow out of a rich history of intellectual and political debate. The theme of the role elites play in development is as old, or older, than the concept of development itself. Early enlightenment and bourgeois thinkers saw rising middle and commercial classes which produced many agents of progress and modernization. Sociologists in the 19th and early 20th centuries, such as Compte, Spencer, and Weber, would develop these views into theoretical constructs. But as the middle classes of the early capitalist era achieved political power and became the new ruling groups, Marx and other 19th-century radical thinkers critiqued the new order as generating the social conditions associated with underdevelopment. As Europe unleashed a new round of imperialist expansion in the late 19th and early 20th centuries, a new generation of Marxists thinkers, from Hilferding to Lenin, Bukharin, and Luxemburg, identified the leading capitalist states as the agent behind the colonization and plunder of what would later be called the Third World. Among this generation, Leon Trotsky developed perhaps the most coherent theoretical explanation for inequalities between rich and poor countries in his theory of combined and uneven development.

In the wake of World War II and decolonization, newly independent countries from Africa and Asia joined with their Latin American counterparts in shifting international political attention to global inequalities (see, inter-alia, Prashad, 2007). How to account for this inequality and what to do about it became the focus of heated intellectual and ideological battles and formed the backdrop to the rise of development studies. US president Harry Truman famously launched the 'era of development' in a 1949 speech, declaring that 'we must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas' (Esteva, 1991: 7). Behind the Truman declaration was the effort to open up the former colonial world to an expanding international capitalism. The story of the rise of modernization theory in the wake of the Truman declaration, largely in the US academy with ample support from the policymaking establishment, is now well known. The theme of enlightened elites leading societies into development and progress became a fundamental tenet of modernization and concomitant political development theories that dominated the social sciences from the 1950s into the 1970s. But alternative explanations for development and underdevelopment challenged the hegemony of modernization theory in the 1960s and on to the drumbeat of anti-colonial and revolutionary struggles across the Third World that challenged the very structures of the world capitalist system. From the perspective of new dependency, world-systems, and radical international political economy theories, elites in the Third World were largely seen as agents of a world capitalist system whose very constitution and reconstitution was founded on the unity and antagonism of core and peripheral or developed and underdeveloped regions of the world.

My own theory of global capitalism shares much with this radical intellectual tradition in development studies but also diverges on several key counts. I see globalization as a qualitatively new epoch in the ongoing evolution of world capitalism, characterized above all by the rise of truly transnational capital and the integration (or re-articulation) of most countries in the world into a new global production and financial system. The leading strata among national capitalist classes both North and South have experienced ongoing integration across borders into an emergent transnational capitalist class (TCC) at whose apex is a transnational managerial elite. The nation-state, while it does not disappear or even become ‘less important’, is undergoing transformation. The institutional apparatus of national states has become increasingly entangled in transnational institutional webs that bring them together with inter- and transnational institutions into what can be conceived as incipient transnational state apparatuses. During the 1980s and 1990s capitalists and elites around the world became fractionated along new lines: nationally-oriented and transnationally-oriented. Transnational fractions of local elites in competition with nationally-oriented fractions vied for, and in many countries around the world won, state power. They utilized that power to push capitalist globalization, to restructure national productive apparatuses and integrate them into the new global production and financial system.

These are complex propositions that I have written about extensively elsewhere (see, in particular, Robinson, 2003, 2004, 2008). Here I want to focus on the implications of this theory of global capitalism for elites and development. I want to suggest, in particular, that nationally-oriented elites who promoted developmentalist projects in the 20th century often depended on the social reproduction of at least a portion of the popular and working classes for the reproduction of their own power and status, and therefore on local development processes however so defined and however deficient. In distinction, transnationally-oriented elites who pushed restructuring and integration into global capitalism were less dependent on such local social reproduction. With the shift in elites came a shift in discourse from national industrialization and expanding internal markets to global market integration and macroeconomic, principally neo-liberal, policies that facilitated such integration.

There is little consensus on the appropriate terminology for inter-state and global inequalities. Here I will use interchangeably First and Third World, developed and developing/underdeveloped, core and periphery, and North and South, although I find *all* these terms problematic. Also, how to conceive of elites is a contentious matter in political sociology that I cannot take up here. Suffice it to observe that much debate has centered on the relationship between classes and elites and whether or not these are commensurate analytical categories. By elites I refer to dominant political, socio-economic, and cultural strata, and in particular, to capitalists and landlords, along with top level managers and administrators of the state and other major social institutions and leadership positions in the political system. Capitalists are elites who own or manage means of production as capital. Elites who are not necessarily capitalists occupy key decision-making positions in institutions, whether in private corporations, the state, political parties or cultural industries. However, in my view the status of elites that are not capitalists proper is dependent on the reproduction of capital.

Nation-State Capitalism and the Turn to Globalization

Diverse Fordist-Keynesian models of national corporate capitalism spread throughout the 20th century from the cores of the world capitalist system to the former colonial domains in Latin America, Africa, and Asia. These countries tended to pursue a multiclass development model along radical Keynesian lines, often referred to as developmentalist, populist, or corporatist. Developmentalist capitalism took on a form distinct from its First World New Deal and social democratic variants, often involving a much greater role for the state and the public sector, mass social mobilizations growing out of anti-colonial, anti-dictatorial, and national-liberation movements, and populist or corporatist political projects. Both First and Third World models were predicated on a redistributive logic and on incorporation of labor and other popular classes into national historical blocs. The legitimacy of elites in the Third World may have been even more closely tied to the logic of this redistribution and the social reproduction of popular classes than their counterparts in the First World.

World capitalism developed in this period within the nation-state and through the inter-state system. Nation-states were linked to each other through the international division of labor and through commercial and financial exchanges in an integrated international market regulated, at least in theory, by the Bretton Woods institutions. In this way the system provided for more insulated forms of national control over economic and social policy and greater autonomy in internal capitalist development, even as the international market disciplined countries into supporting the international rules of exchange rates and exchange and reproduced the world capitalist power structure. The world economy experienced a sustained period of growth in the quarter century after World War II – the so called 'golden age' of capitalism. But the illusion of prosperity burst with the world economic downturn that began in the 1970s and that threw national corporate capitalism into crisis.

The social origins of this crisis were to be found in the relative strength that working and popular classes won worldwide in relation to capital after many decades of class and social struggles in both the First and the Third World. Organized labor, increased taxes on profits and income, state regulation, revolutions in the Third World, and the explosion of social movements and counter-hegemonic cultural practices everywhere constricted private capital's real or perceived capacity for accumulation. The expansion of collective rights, the instutionalization of the Keynesian–Fordist class compromise, and the prevailing norms of a 'moral economy' that assumed capital and state reciprocities with labor and citizens and an ethical obligation to minimal social reproduction – all this burdened capital with social rigidities that had to be reversed for a new phase of capitalist growth. Capital and its political representatives and organic intellectuals in the core countries organized a broad offensive – economic, political, ideological, and military – that was symbolically spearheaded by the Reagan–Thatcher alliance. Emerging transnational elites from the centers of power in the world system launched a global counterrevolution that would be as much political and economic as social, cultural, and ideological, and that was still being fought out in manifold arenas in the 21st century.

In structural terms, this crisis was not merely cyclical. Cyclical crises eventually accumulate into more generalized crises involving social and political upheavals and ushering in periods of restructuring. Restructuring crises result in novel forms that replace historical patterns of capital accumulation and the institutional arrangements that facilitated them (see, inter-alia, Aglietta, 1979; Kotz et al., 1994). The world capitalist crisis that began in the 1970s is generally identified as the turning point for globalization and in my view signaled the transition to a new transnational stage in the system. For much of the 20th century, First World Keynesian capitalism and Third World developmentalist capitalism shared two common features: state intervention in the economy and a redistributive logic. The crisis that began in the 1970s could not be resolved within the framework of these post-World War II social structures of accumulation. In the First World there was a progressive breakdown of the Keynesian–Fordist welfare states, and in the Third World developmentalist projects became exhausted as manifest above all in economic contraction and the debt crisis of the 1980s.

Globalization became a viable strategy as capitalists and state managers searched for new modes of accumulation. 'Going global' allowed capital to shake off the constraints that nation-state capitalism had placed on accumulation – to break free of the class compromises and concessions that had been imposed by working and popular classes and by national governments in the preceding epoch. The decision by the US government to abandon the fixed exchange rate system in 1973 effectively did away with the Bretton Woods system and, together with deregulation, opened the floodgate to transnational capital movement and the meteoric spread of transnational corporations (TNCs). Capital achieved a newfound global mobility, or ability to operate across borders in new ways, which ushered in the era of global capitalism. The renewed power to discipline labor that this afforded transnational capital altered the worldwide correlation of class and social forces in its favor. What was international capital in the preceding epoch metamorphosed into transnational capital.

Emerging global elites and transnational capitalists set about dismantling the distinct models associated with national corporate capitalism and constructing a new global 'flexible' regime of accumulation. In broad strokes, Keynesianism was replaced by monetarist policies, deregulation, and a 'supply side' approach that included regressive taxation and new incentives for capital. The Fordist class compromise was replaced by a new capital–labor relation based on deunionization, flexible workers, and deregulated work conditions, and the welfarist social contract was replaced by social austerity and the law of the market in social reproduction. More specifically, the prospects for capital to accumulate and make profits were restored during the 1980s and the succeeding decades by four key developments associated with capitalist globalization.

First was a new capital–labor relation based on the deregulation, informalization, and 'flexibilization' of labor. Second was a new round of *extensive* and *intensive* expansion. Extensively, the system expanded through the reincorporation of major areas of the former Third and Second worlds into the world capitalist economy, so that by the 1990s no region remained outside the system. Intensively, public and community spheres that formerly lay outside (or buffered from) the logic of market relations (profit making) were commodified and opened up to accumulation through privatization, state deregulation, and reregulation, including the extension of intellectual property rights, and so on. Third was the creation of a global legal and regulatory structure to facilitate what were emerging globalized circuits of accumulation, including the creation of the World Trade Organization. And fourth was the imposition of the neo-liberal model on countries throughout the Third and the former Second worlds, involving structural adjustment programs that created the conditions for the free operation of capital within and across borders and the harmonization of political and juridical conditions for accumulation worldwide. Through neo-liberalism the world has increasingly become a *single unified field for global capitalism*. Capital has come to achieve a newfound global mobility in a double sense, in that the material *and* the political obstacles to its unfettered movement around the world have dramatically come down. As capital became liberated from the nation-state and assumed new power relative to labor with the onset of globalization, states shifted from reproducing Keynesian social structures of accumulation to servicing the general needs of the new patterns of global accumulation.

A Transnational Production and Financial System

Since the 1970s, the emergence of globally mobile transnational capital increasingly divorced from specific countries has facilitated the *globalization of production* (I include services here): the fragmentation and decentralization of complex production processes, the worldwide dispersal of the different segments in these chains, and their functional integration into vast global chains of production and distribution. World production is thus reorganized into new transnational, or global, circuits of accumulation through which values move instantaneously. National economies have been reorganized and reinserted as component elements of this new global production and financial system (on the anatomy of this system, see inter-alia, Dicken, 2003; McMichael, 1996), which is a qualitatively distinct world economic structure from that of previous epochs, when each country had a distinct national economy linked externally to one another through trade and financial flows. This is a shift from international market integration to global productive integration. I have referred to this distinction elsewhere as between a *world economy* – in which nation-states are linked to each other via trade and financial flows – to a *global economy* – in which the production process itself becomes globally integrated (Robinson, 2003, 2004). At the same time an integrated global financial system has replaced the national bank-dominated financial systems of the earlier period. Global financial flows since the 1980s are qualitatively different from the international financial flows of the earlier period.

Globalization refers to a process characterized by relatively novel articulations of social power which were not available in earlier historic periods. The increasingly total mobility achieved by capital has allowed it to search out around the world the most favorable conditions for different phases of globalized production, including the cheapest labor, the most favorable institutional environment (e.g. low taxes) and regulatory conditions (e.g. lax environmental and labor laws), a stable social environment, and so on. Transnational capital is the *hegemonic fraction* of capital on a world scale in the sense that it imposes its direction on the global economy and it shapes the character of production and social life everywhere. Although real power and control still remains rigidly hierarchal and has actually become more concentrated under globalization, the actual organizational form of economic activity is characterized by decentralized webs of horizontally interlocked networks in distinction to the old centralized hierarchies based on vertical integration. The rise of the global economy has been founded on the phenomenal spread since the late 1970s of diverse new economic arrangements associated with the transition from the Fordist regime of accumulation to new post-Fordist *flexible* regimes. Subcontracting and outsourcing have become basic organizational features of economic activity worldwide. In the earlier epochs of capitalism firms tended to organize entire sequences of economic production, distribution, and service from within. The *maquiladora*, or offshore, factories that are the epitome of the 'global assembly line' are based on this type of subcontracting network, although the phenomenon has long since spread to just about all sectors of the world economy.

Subcontracting and outsourcing, along with a host of other new economic arrangements have resulted in the creation of vast transnational production chains and complex webs of vertical and horizontal integration patterns across the globe. The concepts of flexible accumulation and network structure capture the organizational form of globalized circuits (on this network structure, see, in particular, Castells, 2000). Global production and service chains or networks are *global* in character, in that accumulation is embedded in *global* markets, involves *global* enterprise organization and sets of *global* capital–labor relations, especially deregulated and casualized labor pools worldwide. Transnational capital, as organized into the giant TNCs, coordinates these vast chains, incorporating numerous agents and social groups into complex global networks. Competition in the new global economy dictates that firms must establish global as opposed to national or regional markets, and that other economic agents must move beyond local markets if they are to remain viable.

Global Capitalism and Transnationally-Oriented Elites

Epochal changes in the system of world capitalism have had transformative effects on the world as a whole and on each region integrated in or rearticulated to the system. Earlier epochs of world capitalism have had major implications for all countries and regions of the former Third World, which have gone through successive waves of ever-deeper integration into the system. With each new integration or reintegration there has been a corresponding fundamental change in social and class structures and the leading economic activities around which social classes and groups have exercised collective agency. The epoch of corporate capitalism that preceded globalization saw a deeper integration of Africa, Asia, and Latin America into world capitalism, including a major expansion of exports in most cases and the rise of new industrial, commercial, and financial elites and new middle and working classes. The groups came together in multi-class populist and corporatist projects that sought development through import-substitution industrialization and modernization. Each phase of historical change in the world capitalist system builds on preceding ones and retains important elements from them. Global capitalism is now having a similar transformative effect on every country and region of the world. Developing countries have been experiencing a transition to a new model of economy and society as they become reinserted into the emerging global stage of world capitalism.

As transnational capital integrates the world into new globalized circuits of accumulation, it has broken down national and regional autonomies, including the earlier pre-globalization models of capitalist development and the social forces that sustained these models. Through internal adjustment and rearticulation to the emerging global economy and society, local productive apparatuses and social structures in each region are transformed, and different regions acquire new profiles in the emerging global division of labor. Integration into the emergent global system is the causal structural dynamic that underlies the events we have witnessed in nations and regions all around the world over the past few decades. We want to pay particularly close attention to changes in the economic structure because they provide the material basis for related processes of change in practices and institutions, politics, class structure, and for inquiry into the theme of elites and development.

The remolding of each national and regional economy creates an array of contradictions between the old and new forms of accumulation. What sets a region off from other parts of the global economy in much of the development literature is uneven geographic development and distinct participation in an international division of labor. I suggest, however, that more determinant (of causal priority) in conceptualizing regions within the larger unity of the emerging global economy and society than uneven accumulation, while still important, is the distinct configurations of social forces and of institutions that arise from these configurations. If we are to properly understand the role of local and regional economies and social and class structures they must be studied from the perspective of their point of insertion into global accumulation rather than their relationship to a particular national market or state structure.

Transnational class formation in the developing countries is a major dimension of capitalist globalization. As global capitalism penetrates new spheres and subjects them to the logic of transnational accumulation, pre-globalization classes such as peasantries and artisans tend to disappear, replaced by new dominant and subordinate class groups linked to the global economy. We have generally seen in developing countries: the rise of new dominant groups and capitalist fractions tied to the global economy; the downward mobility – or proletarianization - of older middle classes and professional strata and the rise of new middle and professional strata; proletarianization of peasants and artisans and the rise of new urban and rural working classes linked to transnational production processes; the working class itself become flexibilized and informalized; the appearance of an expanding mass of supernumeraries or marginalized. A global working class has emerged that runs the factories, offices, and farms of the global economy, a stratified and heterogeneous class, to be sure, with numerous hierarchies and cleavages internal to it – gender, ethnicity, nationality, and so on.

Here I want to focus on elites. The TCC is comprised of the owners and managers of the TNCs and the private transnational financial institutions that drive the global economy (Sklair, 2002; Robinson, 2004). The TCC is a class group grounded in global markets and circuits of accumulation. The globally-integrated production and financial system underscores the increasing interpenetration on multiple levels of capital in all parts of the world, organized around transnational capital and the giant TNCs. It is increasingly difficult to separate local circuits of production and distribution from the globalized circuits that dictate the terms and patterns of accumulation worldwide, even when surface appearance gives the (misleading) impression that local capitals retain their autonomy. There are of course still local and national capitalists, and there will be for a long time to come. But they must 'de-localize' and link to transnational capital if they are to survive.

Territorially restricted capital cannot compete with its transnationally mobile counterpart. As the global circuit of capital subsumes through numerous mechanisms and arrangements these local circuits, local capitalists who manage these circuits become swept up into the process of transnational class formation.

I have been writing about this process of transnational class formation and the rise of a TCC since the late 1990s (inter-alia, Robinson, 1996, 2003, 2004). The topic has become part of a collective research agenda and the empirical evidence demonstrating the transnationalization of leading capitalist groups is now considerable (for a sampling, see Sklair, 2002; Kentor, 2005; and especially Carroll, 2010). With the rise of transnational production chains and circuits of accumulation, transnationally-oriented capitalists in each country shift their horizons from national markets to global markets. Different phases of production, as they become broken down into component phases that are detachable and dispersed around the world, can be doled out to distinct economic agents through chains of subcontracting, outsourcing, and other forms of association. These agents become integrated organically into new globalized circuits, so that they are 'denationalized', in the material if not the cultural sense, and become transnational agents. The vast multilayered networks of outsourcing, subcontracting, collaboration, and so on, increasingly link local and national agents to global networks and structures. The TCC has increasingly exhibited a global political action capacity and placed itself on the world scene as a coherent actor. In the same way as business groups organize to orient national policy planning groups and lobby national governments, transnational business groups have become a powerful lobby in many countries around the world pushing for a shift in state policies toward promotion of the group interests of those integrated into transnational circuits.

The composition of capitalist classes and elites in developing countries is altered by capitalist globalization. The spread of transnational circuits of accumulation present elites in developing countries with new opportunities to pursue their class and group interests by reinserting local economic activity that they manage as segments of globalized circuits. Other groups whose reproduction was tied to domestic accumulation may lose out if they are unable to transnationalize their local activity. In my detailed case study on Central America (Robinson, 2003) I have shown how local elites who previously strived to build up national circuits of accumulation were confronted from the 1980s onwards with a situation in which these circuits were no longer viable *and* in which restructuring and integration into globalized circuits became a profitable option. Hence their class and group interests shifted from national development to participation in new global markets and production and service sequences. The restructuring and globalization of local production processes do bring about new opportunities for upward mobility among some sectors of the national population. But these benefits of global integration, as I shall argue below, do not constitute development in the traditional sense. As these processes have unfolded there have been ongoing struggles in recent decades between ascendant transnational and descendant national fractions of dominant groups and these struggles often form the backdrop to national political and ideological dynamics. Transnational fractions of local capitalist classes and bureaucratic elites vied for state power and in most countries won government in the 1980s and 1990s, or at least came to capture 'commanding heights' of state policymaking via key ministries such as foreign, finance, and central banks. In many developing countries transnational fractions utilized local states to latch their countries on to the train of capitalist globalization.

National and Global Accumulation and the State

Here there is a contradictory logic between national and global accumulation. On the one side are the only national fractions of dominant groups whose interests lie in national accumulation and traditional national regulatory and protectionist mechanisms. On the other are transnational groups tied to new globalized circuits of accumulation. Their interests lie in an expanding global economy. There is a tension between nation-centric class interests and those groups who develop new relationships linked to transnationalized accumulation. As conflicts arise between descending forms of national production and rising forms of globalized capital, local and national struggles should be seen as simultaneously global and internal. Transnational fractions, as they have captured governments around the world, or come to positions in which they can influence and redirect state policies, have utilized national state apparatuses to advance globalization, pursue economic restructuring, and dismantle the old nation-state social welfare and developmentalist projects. While pursuing the neo-liberal model at home, they have also pursued world-wide market liberalization and projects of regional and global economic integration. They have promoted a supranational infrastructure of the global economy.

Transnationally-oriented capitalists and state managers in developing countries have pursued a switch from 'inward oriented development', or accumulation around national markets such as the Import-Substitution Industrialization (ISI) models that predominated in many Third World regions in the middle part of the 20th century, to 'outward-oriented development' involving export-promotion strategies and a deeper integration of national economies into the global economy. This switch involves the emergence of new economic activities and structures of production in each country and region integrating into the global economy (Robinson, 2002, 2003). These new activities generally imply local participation in globalized circuits of accumulation, or in global production and service chains. As I have shown in great detail for Latin America (Robinson, 2008), these activities include *maquiladora* assembly operations and other forms of transnational industrial subcontracting, transnational corporate agribusiness, transnational banking and other financial services, transnational services such as call centers, software production, data processing, tourism and leisure, and so forth, as well as, very importantly, the transnationalization of the retail sector, or what I call *Walmartization*, along with the supply systems that stock retail. The new dominant sectors of accumulation in the developing world are, in sum, increasingly integrated into global accumulation circuits in a myriad of ways.

It is important to explore the relationship between transnationally-oriented capitalist and business groups and elites in the state and the political system. As new transnational circuits of accumulation became dominant there were powerful pressures on state managers to promote these circuits locally – that is, promoting an environment friendly to transnational capital. Elites found that the reproduction of their status becomes linked to the new global accumulation strategy. Restructuring gave an immanent class bias to agents of the external sector. These agents tended to fuse with political managers of the neo-liberal state and, in the latter decades of the 20th century, began to coalesce gradually, in a process checkered with contradictions and conflict, into a transnationalized fraction of the national elite that promote and manage new globalized circuits of accumulation. At the helm of transnational fractions of the elite we generally find a politicized leadership and a technocratic cadre steeped in neo-liberal ideology and economics and sharing a familiarity with the world of academic think tanks, world-class universities, and international financial institutions.

What were developmentalist states in the earlier epoch became neo-liberal states under globalization. These neo-liberal national states have functioned to serve *global* (over local) capital accumulation, including a shift in the subsidies that states provide, away from social reproduction and from internal economic agents and towards transnational capital. These neo-liberal states have performed three essential services: (1) adopt fiscal, monetary and trade policies that assure macroeconomic stability and the free movement of capital; (2) provide the basic infrastructure necessary for global economic activity (air and sea ports, communications networks, educational systems, etc.); and (3) provide social order, that is, stability, which requires sustaining instruments of social control and coercive and ideological apparatuses. When transnational elites speak of 'governance' they are referring to these functions and the capacity to fulfill them.

However, there are other conditions that transnational capitalists and elites require for the functioning and reproduction of global capitalism. National states are ill equipped to organize a supranational unification of macroeconomic policies, create a unified field for transnational capital to operate, impose transnational trade regimes, supranational 'transparency', and so forth. The construction of a supranational legal and regulatory system for the global economy in recent years has been the task of sets of transnational institutions whose policy prescriptions and actions have been synchronized with those of neo-liberal national states that have been captured by local transnationally-oriented forces. There is a new transnational institutionality, a new transnational configuration of power, but this is a very incomplete, contradictory, and open-ended process. A TNS apparatus is not the same as a 'global government', which does not exist. Transnational institutions attempt to coordinate global capitalism and impose capitalist domination beyond national borders. We can conceptualize a TNS apparatus as a loose network comprised of inter- and supranational political and economic institutions *together with* national state apparatuses that have been penetrated and transformed by transnational forces; this network has not yet (and may never) acquired any centralized form. The TNS played a key role in imposing the neo-liberal model on the old Third World and, therefore, in reinforcing a new capital–labor relation. The IMF, for example, by conditioning its lending on the deregulation and flexibilization of local labor markets, as it has often done, is imposing the new capital–labor relation on the particular country and in the process fundamentally transforming local labor markets and class and power relations.

Transnational elites set about to penetrate and restructure national states, directly, through diverse political-diplomatic and other ties between national states and TNS apparatuses and functionaries, and indirectly, through the impositions of transnational capital via its institutional agents (IMF, World Bank, etc.) and the structural power that global capital exercises over nation-states. Local transnational nuclei, or pools, have liaised with the transnational elite as 'in-country' counterparts through a shared outlook and interest in new economic activities and through diverse external political, cultural, and ideological ties. These nuclei sought in recent decades to advance the transnational agenda by capturing key state apparatuses and ministries, by the hegemony they were expected to achieve in civil society, and by the power they wielded through their preponderance in the local economy and the material and ideological resources accrued through external linkages. Hence it is not that nation-states become irrelevant or powerless vis-a-vis transnational capital and its global institutions. Rather, power as the ability to issue commands and have them obeyed, or more precisely, the ability to shape social structures, shifts from social groups and classes with interests in national accumulation to those whose interests lie in new global circuits of accumulation.

Although they do not disappear, national states experience dramatic fracturing and restructuring. As globalization proceeds, internal social cohesion declines along with national economic integration. The neo-liberal state retains essential powers to facilitate globalization but it loses the ability to harmonize conflicting social interests within a country, to realize the historic function of sustaining the internal unity of nationally-conceived social formation, and to achieve legitimacy. Unable to resolve the contradictory problems of legitimacy and capital accumulation, local states opt simply for abandoning whole sectors of national populations. In many instances, they no longer bothered to try to attain legitimacy among the marginalized and supernumeraries, who are isolated and contained in new ways, or subject to repressive social control measures (such as, for example, the mass incarceration of African Americans in the United States or 'social cleansing' in several Latin American countries). A fundamental contradiction in the global capitalist system is a globalizing economy within a nation-state based political system. A TNS apparatus is incipient and unable to regulate global capitalism or to ameliorate many of its crisis tendencies.

Power did shift in many countries from nationally-oriented dominant groups to these emerging transnationally-oriented groups. However, the crisis that exploded in 2008 with the collapse of the global financial system has exacerbated crises of legitimacy in many countries around the world and seriously undermined the ability of transnational elites to reproduce their authority. Global elites have been scrambling since the Asian crisis of 1997–8 to develop more effective transnational state apparatuses, or institutions and mechanisms that allow for transnational coordination and supervision. These efforts have intensified since the collapse of 2008. In March 2009, for instance, the Chinese government called for the creation of a new global reserve currency to replace the dominant dollar – a super-currency made up of a basket of national currencies and controlled by the IMF.

From a Geographical to a Social Conception of Development

As capitalism globalizes, the 21st century is witness to new forms of poverty and wealth, and new configurations of power and domination. Class, racial and gender inequalities have in many respects been aggravated by globalization and new social cleavages are emerging. One major new axis of inequality is between citizen and non-citizen in the face of a massive upsurge in transnational migration and the increasing use around the world of ethnic immigrant labor pools. Yet the dominant discourse on global inequality and development is still territorial, that is, inequality among nations in a world system. In the dominant development discourse what 'develops' is a nation-state. But global society appears to be becoming stratified less along national and territorial lines than across transnational social and class lines (Cox, 1987; Hoogvelt, 1997; Robinson, 1998, 2002, 2003). Certain forms of conceptualizing the North–South divide obscure our view of social hierarchies and inequalities across nations and regions. Hurricane Katrina ravaged New Orleans in 2005, for instance, lifting the veil of race, class, poverty, and inequality in the United States. The storm disproportionately devastated poor black communities who lacked the resources to take protection and whose Third World social conditions became apparent. A United Nations report released in the immediate aftermath of the hurricane observed that the infant mortality rate in the United States had been rising for the previous five years and was the same as for Malaysia, that black children were twice as likely as whites to die before their first birthday, and that blacks in Washington, DC had a higher infant death rate than people in the Indian state of Kerala (UNDP, 2005).

Clearly we need to rethink the categories of North and South and, indeed, the very concept of development. A sociology of national development is no longer tenable. In earlier epochs, 'core' and 'periphery' referred to specific territories and the populations that resided therein. The center–periphery division of labor created by modern colonialism reflected a particular spatial configuration in the law of uneven development which is becoming transformed by globalization. The transnational geographic dispersal of the full range of world production processes suggests that core and peripheral production activities are less geographically bounded than previously, while new financial circuits allow wealth to be moved around the world instantaneously through cyberspace just as easily as it is generated, so that exactly *where* wealth is produced becomes less important for the issue of development.

While the global South is increasingly dispersed across the planet, so too is the global North. Rapid economic growth in India and China have created hundreds of millions of new middle class consumers integrated into the global cornucopia even as it has thrown other hundreds of millions into destitution. Globalization fragments locally and integrates select strands of the population globally. The cohesive structures of nations and their civil societies disintegrates as populations become divided into 'core' and 'peripheral' labor pools and as local economic expansion results in the advancement of some (delocalized) groups and deepening poverty for others. We find an affluent 'developed' population, including a privileged sector among segmented labor markets linked to knowledge-intensive, professional, and managerial activities, and high consumption exists alongside a super-exploited secondary segment of flexibilized labor and a mass of supernumeraries constituting an 'underdeveloped' population within the same national borders. This social bifurcation seems to be a worldwide phenomenon, explained in part by the inability of national states to capture and redirect surpluses through interventionist mechanisms that were viable in the nation-state phase of capitalism.

The great geographic core–periphery divide that gave rise to development studies is a product of the colonial and imperialist era in world capitalism and is gradually eroding, not because the periphery is 'catching up', but because of the shift from an *inter*national to a global division of labor and the tendency for a downward leveling of wages and the general conditions of labor. The international division of labor has gone through successive transformations in the history of world capitalism. For many, the most recent permutation involves the shift in manufacturing from North to South, so that in the 'new international division of labor' (Frobel et al., 1980) the North specializes in high-skilled and better-paid labor supplying advanced services and technology to the world market while the South provides low-skilled and less well paid labor for global manufacturing and primary commodity supply. But this analysis, as Freeman observes, has become increasingly obsolete due to the massive investments that the large populous developing countries are making in human capital. China and India are producing millions of college graduates capable of doing the same work as the college graduates of the United States, Japan or Europe – at much lower pay. The huge number of highly educated workers in India and China threatens to undo the traditional pattern of trade between advanced and less developed countries. Historically, advanced countries have innovated high-tech products that require high-wage educated workers and extensive R&D, while developing countries specialize in old manufacturing products. The reason for this was that the advanced countries had a near monopoly on scientists and engineers and other highly educated workers. As China, India, and other developing countries have increased their number of university graduates, this monopoly on high-tech innovative capacity has diminished. Today, most major multinationals have R&D centers in China or India, so that the locus of technological advance may shift (Freeman, 2005).

There remain very real regional distinctions in the form of productive participation in the global economy. But processes of uneven accumulation increasingly unfold in accordance with a social and not a national logic. Different levels of social development adhere from the very sites of social productive activity, that is, from *social*, not geographic, space. Moreover, privileged groups have an increasing ability to manipulate space so as to create enclaves and insulate themselves through novel mechanisms of social control and new technologies for the built environment. The persistence, and in fact *growth,* of the North–South divide remains important for its theoretical and practical political implications. What is up for debate is whether the divide is something innate to world capitalism or a particular spatial configuration of uneven capitalist development during a particular historic phase of world capitalism, and whether tendencies towards the self-reproduction of this configuration are increasingly offset by countertendencies emanating from the nature and dynamic of global capital accumulation.

To explain the movement of values between different 'nodes' in globalized production, clearly we need to move beyond nation-state centric approaches and apply a theory of value to transformations in world spatial and institutional structures (the nation-state being the central spatial and institutional structure in the hitherto history of world capitalism). The notion of net social gain or loss used by development economists has little meaning if measured, as it traditionally is, in national terms, or even in geographic terms. The distribution of social costs and gains must be conceived in transnational social terms, not in terms of the nation-state vis-a-vis the world economy, but transnationally as social groups vis-à-vis other social groups in a global society. Development should be reconceived not as a national phenomenon, in which what 'develops' is a nation, but in terms of developed, underdeveloped, and intermediate population groups occupying contradictory or unstable locations in a transnational environment.

Conclusions: Elites, Development, and Social Reproduction in the Globalization Age

Under the emergent global social structure of accumulation, the social reproduction of labor in each country becomes less important for accumulation as the output of each nation and region is exported to the global level. The transnational model of accumulation being implemented since the 1980s does not require an inclusionary social base and is inherently polarizing. Socioeconomic exclusion is immanent to the model since accumulation does not depend on a domestic market or internal social reproduction. To phrase it another way, there is a contradiction between the class function of the neo-liberal states and their legitimation function. For neo-liberal elites, successful integration into the global economy became predicated on the erosion of labor's income, the withdrawal of the social wage, the transfer of the costs of social reproduction from the public sector to individual families, a weakening of trade unions and workers' movements, and the suppression of popular political demands. Hence, in the logic of global capitalism, the cheapening of labor and its social disenfranchisement by the neo-liberal state became conditions for 'development'. The very drive by local elites to create conditions to attract transnational capital has been what thrusts majorities into poverty and inequality.

At the core of what seemed to be an emerging global social structure of accumulation was a new deregulated capital–labor relation based on the casualization of labor associated with post-Fordist flexible accumulation, new systems of labor control, and diverse contingent categories of labor. Workers in the global economy were themselves, under these flexible arrangements, increasingly treated as a subcontracted component rather than a fixture internal to employer organizations. In the Keynesian–Fordist order, the labor supply and the work force needed to be stable, which lent itself to more regulated and protected capital–labor relations, whereas in global capitalism labor is reduced to an input just as any other, meaning that it needs to be totally flexible, available in large numbers that can be tapped, added to the mix, shifted, and dispensed with at will. Labor is increasingly only a naked commodity, no longer embedded in relations of reciprocity rooted in social and political communities that were historically institutionalized in nation-states.

The decline of ISI industries and domestic market enterprises disorganized and reduced the old working class that tended to labor under Fordist arrangements, including unionization and corporatist relations with the state and employers. This fractionation often has political implications, as the declining group is more likely to belong to trade unions, to be influenced by a corporatist legacy, and to agitate for the preservation or restoration of the old labor regime and its benefits. It is also more likely to be male. The new workers faced a flexible and informalized labor regime. In many developing countries there has been a contraction of middle classes and professional strata that had developed through public sector employment and government civil service in the face of the dismantling of public sectors, privatizations, and the downsizing of states. At the same time, restructuring involves the rise of new middle and professional strata who may have the opportunity to participate in global consumption patterns, frequent modern shopping malls, communicate through cell phones, visit internet cafes, and so on. These strata may form a social base for neo-liberal regimes and become incorporated into the global capitalist bloc.

Added to income polarization is the dramatic deterioration in social conditions as a result of austerity measures that have drastically reduced and privatized health, education, and other social programs. Popular classes whose social reproduction is dependent on a social wage (public sector) have faced a social crisis, while privileged middle and upper classes become exclusive consumers of social services channeled through private networks. Here we see the need to reconceive development in transnational social rather than geographic terms. The pattern under globalization is not merely 'growth without redistribution' but the simultaneous growth of wealth and of poverty as two sides of the same coin. Global capitalism generates downward mobility for most at the same time that it opens up new opportunities for some middle class and professional strata as the redistributive role of the nation-state recedes and global market forces become less mediated by state structures as they mold the prospects for downward and upward mobility.

In conclusion, the first few decades of globalization involved a change in the correlation of class forces worldwide away from nationally organized popular classes and towards the transnational capitalist class and local economic and political elites tied to transnational capital. The elimination of the domestic market as a strategic factor in accumulation had important implications for class relations, social movements, and the struggle over development. By removing the domestic market and popular class consumption from the accumulation imperative, restructuring helped bring about the demise of the populist class alliances between broad majorities and nationally-based ruling classes that characterized the pre-globalization model of accumulation. Later on, popular classes – themselves caught up in a process of reconfiguration and transnationalization – stepped up their resistance and the hegemony of the transnational elite began to crack. The crisis that hit the global economy in 2008 with the collapse of the financial system had been building for some time and is rooted in the structural contradictions of global capitalism alluded to here.

Stepping back in perspective, the problematic of development in the South is ultimately the same as that of social polarization and overaccumulation in the global economy as a whole. Sustaining dynamic capitalist growth, beyond reining in global financial markets and shifting from speculative to productive investment, would require a redistribution of income and wealth to generate an expanding demand of the popular majority. This is a very old problem that has been debated for decades: how to create effective demand that could fuel capitalist growth? The ISI model was unable to achieve this on the basis of protected national and regional markets; the neo-liberal model has been unable to achieve this on the basis of insertion into global markets.

Seen from the logic of global capitalism the problem leads to a political quagmire: how to bring about a renewed redistributive component without affecting the class interests of the dominant groups, or how to do so through the political apparatuses of national states whose direct power has diminished considerably relative to the structural power of transnational capital. This is a dilemma for the global system as a whole. The pressures to bring about a shift in the structure of distribution – both of income and of property – and the need for a more interventionist state to bring this about, is one side of the equation in the constellation of social and political forces that seemed to be coming together in the early 21st century to contest the neo-liberal order. Political, economic, and academic elites began to look for alternative formulas to address the global economic crisis and at the same time to prevent – or at least better manage – social and political unrest. In my own view, the struggle for development is a struggle for social justice and must involve a measure of transnational social governance over the process of global production and reproduction as the first step in effecting a radical worldwide redistribution of wealth and power downward to poor majorities.

Note

An earlier version of this paper was presented at the United Nations World Institute for Development Economic Research (WIDER) Conference on the Role of Elites in Economic Development, 12–13 June 2009, Helsinki, Finland.

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