

Critical Approaches to the Functions of International Institutions

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BEN HOLIHEAD, JUN 13 2014

For any way of thought to become dominant, a conceptual apparatus has to be advanced that appeals to our intuitions and instincts, to our values and our desires, as well as to the possibilities inherent in the social world we inhabit. If successful, this conceptual apparatus becomes so embedded in common sense as to be taken for granted and not open to question.[1]

The role of critical approaches does not involve simple contrarianism against the functions of international institutions; rather it is to analyse the fundamental assumptions made about international institutions and their role. Critical approaches examine and pose questions that prevent the institutions from being taken for granted in the ways described by David Harvey in the quote above. The growth in international institutions, or at least the desire for greater international economic cooperation, has changed the way in which the orthodox agents of international politics (i.e. states) act in world politics and thus the very foundations of the study of international politics.[2] It is to our convenience then, and to the convenience of this essay, that as neoliberalism has come to exist (at least on the surface) as the prevailing ideological order of international politics, so have critical approaches to international relations theory grown. Greater interest in Karl Marx and Antonio Gramsci has provided the discipline with new analytical approaches to international institutions and led to questioning of the core ideological foundations of those institutions, which are applied universally to its members. These are themes that will be explored in this essay.

The primary focus of this essay is a comparative approach to the main critical approaches in explaining international institutions. It will adopt a largely theoretical focus by examining the use of Marxian and neo-Gramscian thought on international institutions. Naturally, by focusing on international institutions, it will be necessary to make reference to the neoliberal order that is largely taken as a universalised principle in international institutions and to examine how critical approaches are necessary in addressing the fundamental flaws in neoliberal thought. There is a broad scope for this: neoliberalism on the surface appears to be a theoretical void, with its existence based on governance and practice rather than an initially identifiable set of theories.[3] The critique of neoliberalism in this essay will be of how it is professed in international institutions, as well as how states and actors behave.

However, defining the neoliberalism that acts as the ideological drive behind international institutions is problematic for the reasons stated about its being a theoretical void. For this essay, neoliberalism will be considered to be an extension of classical liberal economics to a much more transnational level. It imparts traditional liberalism by placing greater emphasis on the reduction of the state in economies and on enhanced liberalisation and privatisation. This is justified through the view that open markets are a crucial source of individual liberty and prosperity.[4] Neoliberalism is the extension of market-fundamentalism beyond the primary agent of the state. Some definitions have included the principles of good governance it has prescribed in the 20th century. This essay argues that these are secondary to its most basic function of market-fundamentalism and that notions of good governance have emerged as a hegemonic stabilizer rather than as a neoliberal principle *per se*. Major international institutions such as the International Monetary Fund (IMF) and the World Trade Organization (WTO) are primarily neoliberal institutions, thus the relation of critical approaches to international institutions in this essay will be to this neoliberal underpinning of major institutions rather than an individual or group of institutions themselves. However, it is important to note that critical approaches will draw on different epistemological backgrounds, in order to provide this critique, and so it would be

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necessary to reflect on some of the drawbacks of critical approaches, since it could be argued that the default ontological positions of critical approaches fail to explain how international institutions came to exist in the first place.

The parameters of this essay will focus on Marxist and neo-Gramscian critical approaches. Although realism and neorealism could also be considered as a critical approach to institutions, their ontological understandings are substantially different to those of Marxism and Gramsci, in the sense that realism is a much more holistic view of international institutions than a view of the functions themselves. Due to the limited scope of this essay, it is not possible to explore a realist critique of international institutions.

Marxism and International Institutions

This section will look at Marxist thought in relation to the functions of neoliberalism and how Marxian-inspired writers have applied this thought to neoliberal institutions during the growth of neoliberalism in the 20th century. Marxism is a strand of thought which has largely economic deterministic principles that can act as an advantage and a drawback in applying Marxism to international institutions. If we briefly consider the genealogy of Marxism, there are some contradictions and fundamental problems found immediately when applied to international institutions. The biggest problem is in the historical context of its origins: original Marxist thought was conceived at a time of industrial revolution and empire building. Thus, it does not deal explicitly with international institutions, since international cooperation at the time was primarily for the construction of empires and so it was explicitly a means to an end. However, this does not write off Marxism and in some instances it could be argued that the globalization of capital, and the shift in alienation from the domestic level to the international, has in fact reaffirmed the importance and relevance of Marxist thought. The broader scope of alienation is not a simple internationalization of Marx per se, but a reinterpretation in response to the development of neoliberal institutions in themselves. Critical approaches should be used in explaining the function and origins of neoliberalism in international institutions. A thorough review of classical Marxist thought would be ideal, but is not possible within the scope of this essay. This section will look at how Marxist-inspired approaches have been applied to the function of neoliberalism and where possible examine its relationship with classical Marxist thought.

One key concept of classical Marxism is alienation, as it explains how the capitalist mode of production maintains itself in a cyclical motion in society. In contemporary critiques of neoliberalism, it is possible to see how alienation continues to exist and is a fundamental part of neoliberalism even if the permeation of alienation itself has changed from Marx's original conception. The concept of alienation contains four distinct elements: the alienation of the worker from their produce; the alienation of the worker from free production; alienation from themselves and their human-nature; and the alienation of the worker from their fellow human beings.[5] Neoliberal institutions are intrinsically an international exporter of capitalism, and so Marx's concept of alienation within capitalism is arguably relevant to modern-day capitalism. The first instance of alienation (alienation from produce) has become a global phenomenon in capitalism due to the nature of the conditionality's imposed by neoliberal institutions. Organisations such as the IMF and the World Bank demand liberalization of economies which ultimately includes the "opening up" of national markets by foreign investors.[6] To put it in a Marxian perspective, neoliberal institutions create countries in which resources and labour are much easier to exploit through the discourse of free trade and growth.[7] The cheap produce is then sold in developed countries for the accumulation of profit, and the produce of the worker has been alienated from them at an international level. This is a natural occurrence in global economic governance if attention is paid to the policies promoted by institutions such as the IMF and WTO, forming the Washington Consensus.

Whilst we are now considered to be in an era of post-Washington Consensus, it is these policies that have allowed for the exploitation of labour in other countries in the first place. We should not be fooled by the term of 'post'; some of the original features of the Washington Consensus still exist in global economic governance and international institutions today. Two defining features of the Washington Consensus that lead to this alienation are the principle of deregulation and privatization. Combined, they create the liberalization needed for transnational companies to exploit potential cheap labour as well as an availability of resources to extract. What makes developing countries so attractive to these companies is that in a post-colonial era of western-led statebuilding and intervention, these developing countries lack much of the technical expertise and state-capacity to properly impose and police regulations. Furthermore, regulations that may be seen as a barrier to trade on the grounds of safety or even

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environmental concern can be brought to the dispute settlement mechanism of the WTO. The relationship between alienation and neoliberal principles clearly exists within the functions of liberalization that underlie western international institutions.

There is, of course, an aspect of Marx which draws questions about the contemporary validity of his theory, which is the situation and historical context in which he wrote his work (Robert Cox famously described this as “theory is always for someone and for some purpose” where the perspectives of the theory is located in a particular historical and social understanding).[8] As aforementioned, the international institutions that exist today are a relatively new phenomenon, as is the concept of neoliberalism which did not exist in Marx’s time. Yet it can be argued that the conditions of exploitation concerning which Marx wrote his work have been made relevant by the neoliberal functions of these institutions. As demonstrated, the worker in the peripheral country is alienated from their work on an international scale. The nature of alienation from free production, and how production occurs, remains the same in these peripheral countries as it did during the industrial revolutions that took place during the 19th century. Naturally, neoliberalism forces the commodification of the producer who works for a wage, rather than having any real say over the value of their produce.[9] This is a natural occurrence under the institutions which promote this concept of production where transnational actors set the price and value of a product, hence the commodification of the producer and their produce alienates them from a free market. Interestingly, this presents a contradiction in neoliberalism itself as it promotes a free market that is not necessarily “free” in the sense of liberal individual enterprise but is free of the constraints of the individual worker for the accumulation of capital. Thus, the function of the neoliberal institution in regards to this part of alienation is the removal of the product from the producer’s control. This is not exclusive to the peripheral country, since transnational companies require an administrative aspect which is mostly found in developed countries.

John O’Connor has successfully shown how alienation can still be used to explain the basic ideological drive behind institutional practices. Competition, according to O’Connor, is a mechanism by which the worker and the units of capital are driven to act through three distinct actions: market contestability, state rationalization, and factor mobility.[10] State rationalization refers to the restricting of the state’s role in markets by questioning and removing the assumptions that existed about state/economy relations prior to World War Two. Market contestability refers to the equal footing of business and innovation regardless of whether it is indigenous to a country or can be considered an international firm. This is a central element of neoliberalism: the removal of barriers and obstacles creating greater economic efficiency. In effect, it is the justification of Darwinian economics, where the market and competition are simple matters of economic natural selection. The third element of competition is factor mobility, which refers to technological advances that make communication and movement of goods/people easier and cheaper. In a more contemporary sense, it is also the movement of capital itself. This concept of competition has clear Marxist inspirations and can be seen as a contemporary view of alienation. The creation of the mechanism of competition as the root of neoliberal institutions has three effects: 1) the worker is alienated from their produce (factor mobility), 2) the worker is alienated from their species by primacy being placed on the individual and commerce rather than collective good (market contestability), and 3) the conditions are created for the worker to be alienated from themselves and their consciousness through state-societal structures(state rationalization). O’Connor argues that coercive competition is cyclical in nature in a constant transformation of conditions that regulate economic activity:

Coercive competition pits employers against workers, workers against workers, employers against employers, firms against firms, and nations against nations. With capital mobility dependent upon market contestability and market contestability a function of state rationalization, this new form of competition produces significant distributive gains for capital at labor’s expense.[11]

This reproductive activity defines the short history of the major international institutions. When faced with crises, the institutions have developed new structures and new justifications based on the concept of competition within neoliberalism. This essay has demonstrated how classical Marx can be applied to core neoliberal principles, and also how his work can be reapplied such as through O’Connor’s concept of competition which (whilst not explicitly) contains Marxist insights into the mode of production and alienation. This section has done little justice to the analytical properties of Marxism, but it has, nonetheless, explained that despite the context Marxism was originally developed in compared to contemporary Marxist analysis, its core concepts can be applied to the functions of

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international institutions and their neoliberal underpinnings.

Neo-Gramscians: The Hegemonic Function

According to Cox, international institutions can be considered a hegemonic power through five features:

(1) They embody the rules which facilitate the expansion of hegemonic world orders; (2) they are themselves the product of the hegemonic world order; (3) they ideologically legitimate the norms of the world order; (4) they co-opt the elites from peripheral countries and (5) they absorb counter-hegemonic ideas.[12]

Gramsci's work can be considered to be an extension of Marx in the sense that it diverts away from an economic deterministic view of oppression by looking at how an idea such as neoliberalism diffuses and justifies itself within society. The concept of hegemony is fundamental to the function of neoliberal institutions. Whenever crises have occurred in the global economy, the historical patterns would suggest that international institutions have had a reassessment of their internal structures as well as their objectives.[13] For example, the WTO faced a clear crisis of legitimacy when it came to the Seattle ministerial conference in 1999 due to the way in which its quantitative focus on growth as a source of development had failed peripheral developing countries. The response was still very much market-orientated but with a normative dimension.[14]

Whilst there is no longer necessarily a singular hegemonic power in global economics, the hegemon of neoliberalism and market fundamentalism continues to structure the major international institutions. This is made explicit by the fact that when a set of crises do occur, the response is looking at how the market has failed, rather than considering whether the system itself has failed. Therefore, the institutions are in a constant cycle of justifying an ideological hegemony in global economic governance by creating the inbuilt functions of international financial institutions to be directed towards the justification of neoliberal values. It can be regarded not simply as economic but reproduces the knowledge and power of an ideology as well.[15] The concept of hegemony then has an almost rhizomatic nature in regards to the function of hegemony in international institutions. As previously demonstrated, the functions and outcomes of international institutions are the results of Marx's concept of alienation. This essay argues here that neo-Gramscian thought has analytical use over the functions of neoliberalism that extend much further than classical Marxist analysis of neoliberalism.

As demonstrated above, Marxian hegemony consists of the cyclical nature of capitalism as well as the series of crises it will inevitably face. Gramscian hegemony concerns itself with the ideological structure that allows capitalism to perpetuate itself in the first place.[16] The function of the international institution is to provide the ideological justification for neoliberal policies that extend beyond simply the promotion of capitalism. Ideas of "good governance" and liberal democracy are made out to be compulsory moral attributes by the imposition of conditionality's by the institutions. This universalised structural approach is ultimately concerned with market fundamentalism. Marxist analysis of the function would stress that neoliberalism is simply the tool of advanced capitalism. Neo-Gramscian analysis, on the other hand, would argue that whilst it may be the tools and mechanisms that allow capitalism to perpetuate, the tool is also ideological and so it provides the conceptual justification of the hegemony. The conceptual justification becomes a mechanical justification when the functions of international institutions provide what Frederick Gareau calls a "tangible good" such as loans.[17] This justification creates a system where an alternative conception of global economy is deemed impossible if not placed within core market values, since it is constantly technically and morally undermined. Foucault, to an extent, took hegemony as something permeated much more deeply in society with his concept of regimes of truth.[18] Neoliberal discourse is normalised through institutions we take for granted such as schools. The truth may change if the regime experiences a crisis (WTO during the 1990s) and so a new truth is made linking the promotion of neoliberalism with much more qualitative attention given to the discourse of development.

Some attention must be paid to how the hegemon reforms itself to the popular demands of the time in order to maintain the ideological hegemony. Cox's essay "Labour and Hegemony" cites numerous examples of how the US has been both militarily and economically prepared to exert itself in international relations, as well as showing how the relationship between the International Labour Organisation and the US government can be understood as an image

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of how hegemony exerts itself. This article, written in 1977, can be used to demonstrate the cyclical nature of neoliberal hegemony. Cox identifies obscure administrative procedures within institutions (the International Labor Organization as an example) as just one means by which hegemony is maintained.[19] This criticism has also been applied to neoliberal institutions. However, modern day institutions have transcended being secretive institutions to become significantly more transparent. The WTO posts all disputes and is quite explicit about its aims on its website. The hegemonic function is historically situated and is able to adapt itself to certain conditions and evolve by taking in and acting on criticisms that are more administrative rather than ideological. This is an important point to make and is a potential criticism of neo-Gramscian approaches: hegemony is wrongly assumed to be the structural reproduction of an ideology rather than the mechanism of justification for the ideology itself. The structural aspect of hegemony is the continued justification, which makes hegemony consensual rather than directly coercive.[20] So when the consent is not there, as appeared to be the case for the WTO in 1999, structural adjustment and a wider recognition of the effects on trade and other issues such as health meant that even during the greatest crisis of legitimacy the neoliberal mechanism managed to change and sustain itself. Institutions that were promoting neoliberal values in 1977 have very much changed the mechanism for doing so in more recent times as a response to technological changes and communicative relationships.

Conclusion: The Limitations of Critical Approaches

A problem with these approaches is the limited scope to which they view international institutions. Marxist approaches still retain an economic deterministic point of view which places the functions of international institutions to create class antagonisms, rather than understanding how neoliberal institutions have wider effects upon the environment and global health. This narrow viewpoint is not inadvertent as unsatisfactory environmental and health conditions are placed under the general umbrella of exploitation of the worker.

The success and failure of the institutions' functions are dependent on state-centric views and their relationship with international institutions. The hegemony is situated on an agent to agent basis and ignores the role of the methodologies and interactions used by institutions to create hegemony on a much wider scale.[21] So whilst it is necessary to understand how institutions are ideologically driven towards hegemony, there is a failure to grasp the broader understanding of the consensual aspect of hegemony by looking at how states are the agents that support the functions of the international institutions. The peripheral state in international institutions is subordinated because states want to be legitimized by international institutions.[22] Hegemony is a process of ideological legitimation that is structurally permeated throughout society, but it must not be assumed that legitimation is one-sided as legitimation transcends societal structures into a governmental action. Certainly, neoliberalism in states gives the hegemony in international institutions a justification of its functions which is the consensual aspect of hegemony as presented by Gramsci, but legitimizing the function comes from subordination of a primarily neoliberal system rather than hegemony itself. Whilst hegemony is a useful understanding of how the neoliberal ideology of international institutions permeates through the global system, it fails to account for the structures and agents that legitimize their function.

This essay has not presented a comprehensive understanding of critical approaches to international institutions, but what it set out to show is how they explain the driving force of neoliberalism behind the functions of international institutions. It has explained how Marxist and neo-Gramscian approaches can be used to demonstrate how international institutions simply function to diffuse neoliberalism and how neoliberalism itself operates within these institutions. Understanding the power relations exerted by neoliberalism is fundamental to understanding the functions of international institutions. Even institutions, such as the World Health Organisation, which are not primarily concerned with trade functions, have to act within notions of liberalised markets. Using critical approaches can identify not just the flaws of neoliberalism, but they can identify possible contradictions between neoliberalism as a concept and neoliberalism as it is understood by these institutions. Marxian and neo-Gramscian approaches contain the methodology of analysis to identifying these contentions within the function of international institutions.

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