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## Introduction

'Crisis, in short, is the new normal' and 'there is an increasing lack of consensus about the global way forward' according to a January 23, 2013 article on the Davos World Economic Forum in the *International Herald Tribune*. In a 2011 book, John Ikenberry wrote that there is 'a crisis of authority within the liberal international order' (2011: 279-280). Similar views are expressed by recent book titles: *Global Crises and the Crisis of Global Leadership (Gill, 2012a),* and *Gridlock. Why Global Cooperation is Failing When We Need It Most* (Hale et al., 2013). Such statements suggest that the 2008 financial meltdown triggered not only a great economic recession, but also a *political crisis*.

This article is a contribution to the analysis of this international political conjuncture. The overall argument is that the financial crisis triggered a *crisis of hegemony in the transnational power bloc*, that at the time of writing (fall 2014, revisions March/April 2015) this crisis was not yet overcome, and that the next *hegemonic project* will depend on the outcome of this political crisis and this, in turn, depends critically but not exclusively on struggles along major lines of conflict *within* the power bloc.

Theoretically the argument is framed in the context of several themes from historical materialist contributions to transnational relations. On theme is the idea, developed with some variations in the regulation school (Aglietta, 2000; Boyer and Saillard, 2002; Lipietz, 1987), in the American literature on 'social structures of accumulation' (e.g. McDonough et al., 2010), and in debates among German Marxists (Atzmüller et al., 2013), that the global political economy evolves in stages; each marked by a historically specific growth model, and separated by periods of crisis.

Closely related to this is the notion that such stages are related to historically specific constellations of power relations and patterns of hegemonic leadership. Developments of this argument are found in the neo-Gramscian concept of 'historic blocs' (e.g. Cox, 1987: 355; Gill, 1995: 86; Levy and Newell, 2002: 87; Morton, 2007: 118), in Bob Jessup's notion of 'hegemonic projects and spatio-temporal fixes' (2002: 48-49), and in Poulantzas' concept of power bloc and hegemony (1973: 137-141, 229-240).

In the present context I use the Poulantzian *power bloc* concept rather than historic bloc because it explicitly refers specifically to the dominant forces in society, thereby delimiting the study to a subset of transnational power relations. Furthermore, while maintaining a global perspective on power relations, it performs one step of disaggregation by focusing not only on the shared interest of a 'transnational capitalist class', as some contributions tend to do (e.g. Gill, 2012b; Robinson, 2004; Solty, 2012), but adds that the transnational power bloc is a composite of distinct social forces in a constellation of interests that include real and important conflicts. Thus the Poulantzian idea that severe political crises can consist of crises of hegemony *within* the power bloc as distinct from conflicts and crises in relations between the power bloc and other social forces (Poulantzas, 1975: 32, 45-51; 1979: 57-64, 71-80) is central to the argument.

This leads to the question of how to identify the significant conflicts in the power bloc. In historical materialism there is a tendency to base this largely on deductive reasoning, taking Marx's distinctions between the industrial, commercial, and banking fractions of capital as a starting point (e.g. Overbeek, 2004: 117-119; Overbeek, 2013: 167; Pijl, 1998: 3, 49-51; Poulantzas, 1978: 92), and to add to this for instance distinctions between 'imperialist and national capital' and 'monopoly and non-monopoly capital' (Poulantzas, 1978: 42-57, 111). Such distinctions are neither wrong nor irrelevant, but they are not as open and sensitive to the variety of conflicts that are salient in different circumstances as is the neo-pluralist notion of 'the differential impacts of regulation' as a source of 'business conflict' (Falkner, 2010: 105).

Therefore, rather than relying solely on deductive reasoning, I add an inductive element and use the following criteria for identifying conflicts in the transnational power bloc: The conflicts must involve issues of broader societal consequence; they must be observable at the political level and, given the transnational perspective adopted here, they must be visible and salient on both international and national political agendas; and there must be demonstrable links between observed open conflicts and opposing interests of fractions or classes in the power bloc. Evidently there is an element of judgment involved behind this paper's identification of the following lines of conflict as central: between finance and productive capital, between 'green' and 'black capital', and between capital from the old industrial powers and the emerging economies. As a preliminary to considering these, however, a little historical background is pertinent.

## Historical context

Firstly, there are important lessons from the previous crisis of hegemony, that of the 1970s. The standard periodization divides the post-World War Two period into first the stage that variously was characterized as 'Fordism' or 'Fordism + Keynesian Welfare States' (Aglietta, 2000: 116; Jessop, 2002: 56; Lipietz, 1987: 35), or, with more emphasis on the international dimension, 'embedded liberalism' (Ruggie, 1982) or 'managed liberalism' (Maddison, 1991: 168). This stage lasted until the early 1970s where a multi-faceted crisis set in; registered in contemporary literature as a *crisis of global Fordism* (Lipietz, 1987), a *crisis of imperialism* (Amin et al., 1975), a *crisis of hegemony* (Arrighi, 1982), and a *crisis of democracy* (Crozier et al., 1975). This crisis was succeeded by a new growth model that in the early years was labelled variously neo-conservatism, supply-side economics, and monetarism, but eventually became identified as neoliberalism, especially in critical social science (Peck, 2010: 13). It is worth noting, however, that it also was in the years of neoliberalism that usage of the term 'globalization' exploded in public and academic discourse.

One important lesson from the crisis of the 1970s is its *duration*. The first signs of crisis appeared in the late 1960s, the fixed exchange rate regime ended in 1971, and from about 1973 the combination of stagnation and high inflation was a reality. But a new and decisive political leadership was first in place with the election of Margaret Thatcher in 1979 and Ronald Reagan in the USA in 1980 and it was not until 1982 that a new growth regime was firmly in place. In other words, it took more or less a decade from the onset of the crisis until the new hegemonic project was firmly established politically.

The second lesson is that the new project did not exist as a ready-to-use blueprint at the outset of the crisis. Neoliberalism was not a well-defined economic doctrine but rather a broad market-oriented policy stance (Peck, 2010: 20), and the new hegemonic project emerged from a lengthy political process of contestation and struggle – within countries, between the US government and its allies in Europe and Japan, and between developed and developing countries - in an open historical situation. These two facts, the duration of the crisis and the contingency of the outcome, are worth recalling now, where about seven years have passed since the beginning of the current crisis.

*The neo-liberal stage*

A few observations on neoliberalism are in order. Notwithstanding the often justified critique for declining living standards, unemployment, rising inequality, and neglect of aggravating environmental problems, when assessed as a *global capitalist* growth model, neoliberalism was quite successful in terms of facilitating economic expansion. The world economy grew with a compound annual growth rate of 3.5 % in the 1982 to 2008 period (author's calculations from data in Maddison, 2010) which is not bad in a historical perspective. This growth was not, however, evenly distributed since in the advanced economies (‘The West’ in Maddison’s tables) the compound growth rate was only 2.7 %, indicating the widely recognized fact that there was much stronger growth in emerging economies in the global South.

Importantly, a large part of the dynamism in the emerging economies was driven by direct investment by and/or outsourcing from Western companies (Dicken, 2011; McNally, 2009; Starrs, 2013). Therefore, for instance, whereas growth was slow on US *territory* (Wolfson and Kotz, 2010: 73), large US *companies* were far from unsuccessful and maintained an unrivalled position in the global economy (Starrs, 2013: 825-826). Similarly, businesses based elsewhere in the global North (Europe, Japan, South Korea) expanded globally, contributing to and benefiting from global growth, along with, to a lesser extent, companies from the emerging economies (Nölke and Taylor, 2010). In other words, for transnational capital the neoliberal stage was successful, leading to the conclusion that in this stage *transnational* capital became the globally dominant social force. Primarily organized in large transnational corporations and the global value chains and production networks they govern, transnational capital was the driving force behind the restructuring of the world economy. But within transnational capital, the role of finance calls for another observation on neoliberalism.

*Financialization.* The disproportional growth of the financial sector and its share of profits during neoliberalism is well documented (e.g. Demirovic and Sablowski, 2013: fig.1 p. 196; see also Duménil and Lévy, 2011: 63, 101-112). This growth, which eventually led to the crisis was, according to the IMF, caused by ‘risk concentrations and flawed incentives behind the financial innovation boom' and financial regulation and macro-economic policies that were 'not equipped to see' and failed to 'take into account' these developments (IMF, 2009: 1). In short, profit seeking innovations in the financial sector combined with lax regulation and supportive macroeconomic policies were central. Since it is well documented that the financial sector itself had strong influence over regulation (Baker, 2010; Duncan, 2012; Tsingou, 2014), a strong case could be made that the financial sector was hegemonic in the neoliberal period.

However, the 'financial innovation boom' was not driven by the financial sector alone. Internationalization created a growing demand for financial derivatives from industrial and commercial firms, seeking to hedge against the risks caused by floating exchange rates and volatile raw materials and energy prices (McNally, 2009: 58; Norfield, 2012: 109-110). Thus a study of companies 'representing 79.1% of global market capitalization of non-financial firms' found that 60 % of the firms use financial derivatives with 'strong evidence that the use of derivatives is, in fact, risk management rather than simply speculation' (Bartram et al., 2003: 1, 2, 12-13).

In other words, financialization was aligned with the interests of transnational industrial and commercial capital. But the picture is complex: the financial sector's appropriation of a growing share of total profits is not well aligned with the interests of industry; and instability and systemic break-down is not beneficial for growth in the real economy. Therefore it is more convincing to argue that while transnational capital was the dominant social force throughout the neoliberal stage, the relationship between its industrial and commercial fractions on one side and finance on the other changed over the period. In other words, we can distinguish between a first sub-stage where transnational industrial and commercial capital ("the real economy") was hegemonic, and a second sub-period where finance was hegemonic, the shift in power relations  marked politically by the US 'Financial Services Modernization Act' of 1999 which 'changed an entire culture' according to Joseph Stiglitz (2009).

*The environmental dimension.* Globalization and financialization were hallmarks of the neoliberal stage. But it is also important that the three decades saw an aggravation of several environmental problems, none the least climate change, and the rise of these issues on national and international policy agendas  (for overviews, see Newell and Paterson, 2010: 11-35; Vormedal, 2012). While there is a large and growing literature on these topics, also from historical materialist perspectives (e.g. Brand et al., 2011; Burkett and Foster, 2006; Dale, 2013; Foster, 2009; Koch, 2012; Levy and Newell, 2002; Newell and Paterson, 2010), the environmental dimension seems to have been fairly neglected by both the French and American strands of regulation theory. Recently, however, both Brand and Wissen (2013: 134) and Newell and Paterson (2011: 39-40) in different ways have suggested introducing the environmental dimension to the analysis of hegemonic projects.  I will say more about this below, at this point I will merely state that it adds an important dimension to the analysis of the global power bloc.

**Conflicts in the transnational power bloc**

This main section examines the identified lines of conflict in the power bloc, looking at patterns of political contestation and policy development in each of them and using this to indicate changes in relations of power. The three lines are examined separately, but in reality, of course, they do not exist in isolation from each other and therefore I follow this up with some more tentative comments on possible dynamics of interaction between them.

First, however, a comment on a conflict that not will be examined even though, prima facie, it is important. It is the austerity versus expansion disagreement about macro-economic policy which, in the aftermath of the financial crisis, has been much in evidence. In the US, the government pursued an expansionary course but it was fiercely contested as evidenced by the 2012-2013 'battle of the budget' between President Obama and the Republicans in Congress (see e.g. Drum, 2013; Weisman, 2013). It remained at the time of writing a contentious issue in American politics, as evidenced by commentary by Paul Krugman (2014a; 2014b). The EU chose the path of austerity, but also with serious internal disagreements (Alderman and Smale, 2014; Lowrey, 2013a). Transnationally, the disa-greement led to a sharp diplomatic exchange between the US and Europe, where the US Treasury Secretary in April 2013 admonished the EU to change course, only to be firmly 'brushed off' (Lowrey, 2013b), a pattern repeated in January 2014 (Eddy, 2014).

Undoubtedly this disagreement is important. But for two reasons, however, it is bracketed in this analysis. First, because the conflict largely is about public expenditure and taxation, welfare, and policies to alleviate debt burdens, in the theoretical perspective informing the analysis it is derived from the power bloc's relations to subaltern social forces. The choices made may have differential impact on sections of the power bloc, but the conflict does not originate in the composition of the bloc itself, and in consequence, while contributing to it, it is not constitutive of the crisis of hegemony. Secondly, the conflict is about different strategies to deal with the fall-out from the financial crisis, e.g. whether to achieve deleveraging through austerity or inflation. Therefore it does not have the same long-term implications as conflicts originating in the power bloc and is not as important in shaping a new hegemonic project. To these conflicts I now turn, looking first at the position of financial capital.

## Finance playing defence?

The collapse of Lehman Brothers in September 2008 changed the politics of financial regulation. Financial reform rose to the top of the political agenda with the initiative now on the regulators' side, on the backdrop of a wave of popular protests and strong demands from politicians in governments and legislatures.

First steps were quickly taken. At the G20 Washington meeting in November 2008, the leaders committed themselves to 'common principles for financial reform' (The White House, 2008). At the Pittsburgh Summit in September 2009 they 'designated the G-20 to be the premier forum for our international economic cooperation' and 'established the Financial Stability Board (FSB) to include major emerging economies and welcome its efforts to coordinate and monitor progress in strengthening financial regulation' (G20, 2009). In December 2010 the first version of the new *Basel III standards* were released (Basel Committee on Banking Supervision, 2014: 2).

Basel III set higher capital standards, introduced a new standard for global liquidity, and, significantly, added a new layer of '*macroprudential regulation*' (Basel Committee on Banking Supervision, 2014: 2). The shift to macroprudentialism is important in two ways. It is an 'ideational shift' (Baker, 2013) that introduces a focus on the financial system *as a whole* in addition to the traditional focus on individual financial institutions. Secondly the shift not only applies to national economies, the traditional purview of regulators, but also to the international level. As part of this regulators now identify '*systemically important financial institutions'* (SIFIs), i.e. institutions that are 'too big to fail'. To such banks higher standards are applied. Furthermore, *global* SIFIs are identified and subjected to even higher standards and more intense supervision (Financial Stability Board, 2011; See also Carstensen, 2013).

In addition to Basel III, the reforms also address the 'Over-the-counter' (OTC) trade in derivatives and the so-called 'shadow banking' sector which hitherto had been more or less outside the purview of regulators (Financial Stability Board, 2014b).

All this require a considerably strengthened information basis. Thus the FSB launched a 'Data Gaps' initiative 'to collect key granular data from global systemically important banks (G-SIBs)' (Financial Stability Board, 2014a). Another initiative is the 'Global Legal Entity Identifier' (LEI) which, to simplify, is an international register of all legal entities engaged in financial transactions. The LEI will, in principle, allow authorities to identify all participants in financial transactions, thereby making it difficult to hide shady deals from the regulators' eyes (Financial Stability Board, 2012).

Financial reform also requires closer cooperation between national regulators and mechanisms to ensure that they comply with internationally agreed standards. To this effect the Basel Committee in 2012 started the Regulatory Consistency Assessment Programme 'to monitor progress in introducing regulations, assess their consistency and analyse regulatory outcomes' and publish progress reports on 'the implementation of the Basel regulatory framework' (Basel Committee on Banking Supervision, 2014: 1).

The road from the 2008 'common principles' to a fully implemented reform is long, it took time to develop the new standards, and some of them will not be fully phased in until 2019 (Basel Committee on Banking Supervision, N.d.). In this process there was and is amble room for political contestation, and the question is whether these developments have changed the position of finance in the transnational power bloc.

*Patterns of contestation*. As mentioned previously, up to the crisis finance was highly influential and contributed decisively to maintaining a 'light touch' regulation. But the crisis changed the political environment dramatically. According to Bell and Hindmoor (2014: 10), in the City of London the climate now was one of politicisation and 'confronting the banks' and reforms 'were accepted by the Government despite strong opposition from the banks' (2014: 14). Similar views, concerning also the US case, are expressed by Baker (2010: 663) and Pagliari and Young (2013; 2014). Legislatures had become actively involved (Pagliari and Young, 2013: 128), and the NGOs *Finance Watch* in Europe and *Americans for Financial Reform* have gained access to the FSB (Young, 2013: 464).

In this new environment finance did not abstain from political involvement but changed strategy. Instead of the pre-crisis pattern of resisting and acting as veto-players towards regulatory initiatives, the industry chose to go along and 'sought to provide careful support for incremental change in the existing regulatory regime' (Pagliari and Young, 2013: 129). The industry accepted the need for reforms but tried to shape them by offering less intrusive measures of self-regulation and playing for time, i.e. seeking longer time frames for the implementation of new rules (Young, 2013: 471-473).

In these efforts they were supported by other fractions of capital, illustrating the pattern of conflicting interests within a situation of mutual dependence. Pagliari and Young describe it succinctly:

> 'On the one hand, non-financial business groups have repeatedly professed their support for stronger regulatory approaches […] On the other hand, many of the same non-financial groups have also actively sought to mitigate the short-term negative impact that different regulatory measures targeting financial activities would have had on their financing and risk-management activities. Indeed, this latter set of incentives has frequently prevailed' (Pagliari and Young, 2013: 132).

In a later work the same authors (2014: 595-596) recounted how *The US Coalition for Derivatives End-Users* and other business associations have lobbied actively to soften new regulatory requirements on derivatives trading.

*Assessing the outcome*. The question, then, is to what extent such efforts succeeded in delaying, diluting, and weakening the reform. According to Ranjit Lall (2012: 628) Basel III is a failure because large financial institutions were able ‘to water down the proposals to irreversible effect’. Eric Helleiner (2013, 2014) takes a similarly sombre view , arguing that expectations of a ‘transformative crisis’ were not met because the G20 did not become the single global centre for decision-making, the dollar’s global role was not undermined, international financial standards remained ‘market friendly’, the creation of the FSB was not a radical departure and it remained rather toothless while ‘nation-states – rather than the FSB – remained the key pillars of global economic governance in the financial regulatory realm’ (2014: 1-16). In the same key, Moschella and Tsingou (2013: 193) concluded that ‘the reform process has proceeded quite slowly and by way of marginal adjustments’.

These assessments seem justified in that financial reform does not amount to a fundamental transformative challenge to the position of finance and that no new global rule-based institution akin to e.g. the WTO was created. Hence the financial sector is still a powerful part of the transnational power bloc. But on the other hand, there has been change in the form of higher standards and institutional developments as summarized above, regulators have been emboldened, legislatures have become more involved, and civil society organization have gained access, and these developments lend plausibility to Young’s (2013: 464) verdict that ‘the content can represent a radical break from the status quo of the past’.

In this debate, one side focuses on major transformations that have not happened, whereas the other side looks at the consequences of changes that have been made or are underway. For the purpose of analysing possible shifts in power relations, the second question is the more relevant one. The issue is whether the new financial architecture, in spite of shortcomings, has real consequences in terms of making the ‘differential regulatory impact’ more favourable to industrial relative to financial activity, in particular of the more speculative kind.

A recent development shows that this is the case. In April 2015 the US corporation *General Electric,* one of the world’s largest, announced that it was selling off most of its financial subsidiary, *GE Capital Assets*, because ‘the business model for large, wholesale-funded financial companies has changed, making it increasingly difficult to generate acceptable returns’ (GE Newsroom, 2015). This ‘changed business model’ is, according to the New York Times, directly linked to the new regulatory framework because GE has been designated a systemically important financial institution, subject to ‘strict regulatory requirements’ (Sorkin and Merced, 2015). This may remain a single swallow, but it also may be a harbinger of things to come and it does show that financial reform has had a real impact on economic activity.

In sum, the political position of finance has been weakened and institutional requisites for stricter regulation are being established and beginning to show real impact. Therefore the more plausible conclusion is that finance no longer is hegemonic, but still a powerful component of the transnational power bloc.

*Green gaining momentum*

Climate change stands out among today’s environmental problems because of the scale of the consequences of global warming and the scale of the efforts required to mitigate and adapt to rising temperatures. Therefore a transnational business conflict in climate politics must be considered a major dividing line in the transnational power bloc. Positing such a conflict implies acceptance of the view that 'a tangible constituency of "climate capitalists" with a material interest in decarbonisation exists' (Newell and Paterson, 2011: 23; see also Falkner, 2008; Falkner, 2010; Meckling, 2011; Newell and Paterson, 2010: 36-49; Vormedal, 2011; Vormedal, 2012). Examples of 'climate capitalists' are producers of equipment for renewable energy production and companies that stand to lose from the consequences of global warming such as insurance companies. This view contrast with the position of some ecological Marxists that capitalism fundamentally is incompatible with sustainability (e.g. Foster et al., 2010 on 'capitalism's war on the earth'; for an overview and discussion of such views see Newell and Paterson, 2011). But, as shown elsewhere, in Marx's theory of the long term declining rate of profit, among the factors that can counteract profit rate decline are increased resource and energy efficiency as well as 'destruction of capital' (Ougaard, 2014). Thus it is fully compatible with Marx's economic theory that large-scale replacement of carbon based energy production by renewables can contribute to capitalist growth.

Still, a significant part of transnational capital has material interests in the carbon based economy. It includes companies whose core business is extraction and processing of coal, oil, and gas, and businesses for which the direct or indirect costs of decarbonizing will jeopardize existing business models and accumulation strategies. The politics of global warming is therefore, as shown by Falkner (2008; 2010), the site for an important 'business conflict' rooted in differential regulatory impact.

Global climate politics takes place in an ensemble of fora and institutions, aptly labelled a *regime complex* by Keohane and Victor (2011) who also provide a summary overview. At the centre are activities spawned by the United Nations Framework Convention on Climate Change (UNFCCC) from 1992, particularly the series of negotiations, working groups and Conferences of the Parties (COPs) initiated by the 1997 Kyoto Protocol. But the slow progress in this forum has led to a proliferation of regional, bilateral, national, and sub-national initiatives, some unilaterally seeking to implement the UNFCC such as the European emissions trading scheme and some pursuing other paths to emissions reductions at state and city levels in the US (Hoffmann, 2011; Keohane and Victor, 2011).

As suggested by Hoffmann, these more limited initiatives do have some potential as an alternative to the 'mega-multilateral' approach, but they will most likely not be sufficient. Given the scale of the required transformation of the world's productive systems, it is unlikely that decarbonisation can be effectively pursued without binding international agreements whether expressed in fixed reductions targets or not. Therefore the struggles over binding commitments to emissions reductions and mechanisms to facilitate this are a vantage point for observing the conflict between green and black capital in the transnational power bloc. The politics of global warming cannot be reduced to this conflict alone since other political forces are active as well. But the relations of strength within the power bloc is a major vector in the parallelogram of forces that determines outcomes.

*Patterns of contestation.* Since 1992 there have been significant changes in business engagement in climate politics as shown by Vormedal (2012; 2011; see also Meckling, 2011). In the first years, resistance to binding agreements and ambitious reductions targets was predominant, the transnational business lobby *Global Climate Coalition* (GCC) playing a major role. But as the Kyoto process gained momentum and other efforts were initiated this resistance weakened and in 2002 the GCC dissolved itself. Concurrently new business associations were established such as *The International Emissions Trading Association,* the *World Business Council for Sustainable Development*, and the *3C Business Leaders Initiative,* all accepting binding international agreements on reduction targets while at the same time working to make future regulations as business- and market friendly as possible.

This did not mean that opposition had disappeared, but rather that the balance of forces had changed, leading Vormedal to conclude that a 'tipping point' had been passed around the turn of the century so that business now overall had become an active supporter of effective interventions against climate change. In light of later developments, however, this conclusion seems at best premature. The picture is complicated by the fact that relations between old and new industrialized powers, especially the US and Europe on one side and China, India, and other emerging powers on the other also is important in climate politics, and this will be discussed further below. But there are also major disagreements and strong contestation in climate politics both in the US and the EU, and important business groups are actively lobbying on both sides of the issue. Thus when in April 2013 the EU Commission's proposal for revising the CO2 quota system was narrowly rejected by the European Parliament, 42 large European companies supported the Commission with a full page advertisement in the Financial Times (15.4.2013), while the peak European business association *Business Europe* lobbied intensely and successfully against (Politiken, 15.4. 2013). In the US, green companies and business associations actively supported President Obama's initiatives on climate change, which on the other hand was strongly resisted in Congress, especially by republicans who receive large contributions from oil, coal, and gas industries (Hamby, 2014; The Nation, 2014).

On the other hand, the green side seemed to gain momentum and some business voices became very vocal in efforts to influence climate politics. Thus in 2009 the leaders of more than 500 global companies called for 'an ambitious, robust and equitable global deal on climate change that responds credibly to the scale and urgency of the crises facing the world today' (Corporate Leaders Group on Climate Change, 2009). A year later, the same group succinctly explained the business case for global climate regulation: 'the lack of a comprehensive international policy framework is a barrier to the development of a global carbon market and, [*sic*] credible national policies, and to the necessary scaling up of investments in low-carbon technologies' (Corporate Leaders Group on Climate Change, 2010).

At the political level also, the green forces carried on in spite of the opposition. In the US, the Obama Administration sought to by-pass the Senate by using executive authority to 'order far-reaching regulations forcing American coal-fired power plants to curb their carbon emissions' and to use the same tactic to sign an international climate deal without the Senate ratification required for treaties (Davenport and Gillis, 2014). The EU renewed efforts to raise the price of carbon in the emissions trading scheme (Reed, 2014), and in the fall of 2014 agreed on its own targets for emissions reduction – 30% compared to 1990 levels in 2030 (Kanter, 2014).

*Assessing progress.* Progress in the ‘mega-multilateral negotiations’, however, seemed very slow. An observer concluded from the November 2013 COP19 in Warsaw that ‘The UNFCCC process is now at a point where aversion of a complete breakdown is measured as a “successful” COP’ (Boyle, 2013). But then, after the Bonn Climate Change Conference in March 2014, an observer from the same organization struck a more optimistic note:

> ‘The primary objective […] was to identify the elements of a future universal agreement on climate change, and to that end the session was a success.’ […] ‘What differentiated this session from previous ADP meetings were the detailed interventions outlining specifically what Parties would like to see in a new agreement and concrete suggestions for how these elements should be reflected’ (Harris, 2014: 2).

In conclusion, at the time of writing there are signs that green capital is gaining momentum, broadening its base in the business world and becoming more vocal politically, as well as clear indicators of renewed movement at the political level, nationally and internationally, the green forces gearing up for a new offensive. Thus there are good reasons to accept Newell and Paterson’s (2011; 39-40) conclusion that ’there now exists at least an historic bloc in construction which we can imagine sustaining climate change policy’.

Bringing in the conclusion from the previous section the possibility is an emerging transnational power bloc in which green productive capital is a strong force.

But two caveats are important. First, this putative bloc is still under construction. One tipping point has been passed in that business no longer *en bloc* is against global climate regulation, but a 'point of no return' has not been reached. Transition to a low-carbon economy, let alone a thoroughly decarbonized economy, is far from secured politically. A decisive shift to a greener accumulation model has not happened.

Secondly, the struggle over decarbonisation is not the only one that will shape the next global growth model and define a new hegemonic project. I have already discussed the finance versus 'real economy' conflict, but of at least equal importance is the struggle between old and emerging powers and to this I turn in the following section.

*North-South stalemate*

In contrast to a common perception of a deep conflict between a powerful North and a powerless South, this paper considers the dominant social forces in the emerging economies as parts of the transnational power bloc. There are in these countries powerful capitalist classes with strong industrial bases and home-grown multinational corporations (Nölke and Taylor, 2010), and it is difficult to accept the view that these successful capitalists should be a *dominated* social force. Peter Evans (2008: 283) may have overstated the point when he said of these 'economic elites' that the 'differences between their economic agenda and that of capital based in the North seem to be increasingly marginal and diminishing over time' because the conflicts are more than marginal and may not all be diminishing. But still the conflicts are set in the context of shared interests in the existing international economic order, as also argued in recent contributions (Nölke, 2012; Nölke et al., 2014; Stephen, 2014). Thus, while the present international order in some ways is unfavourable to their economic expansion, it has not prevented them from gaining considerably in strength and they have no material interests in leaving or radically transforming this order, having for instance shown no interest in leaving existing institutions and having welcomed membership of the G20 as recognition of their increased status *within* this order.

Still the conflicts are important. Recent contributions to understanding these conflicts have been inspired by the varieties of capitalism perspective, foregrounding institutional features of this 'BRICs variety of capitalism' (Nölke, 2012), identified as 'state-permeated market economies' (Nölke et al., 2014) or 'integrated state capitalism' (Stephen, 2014; see also Becker, 2013). Among the central features identified in these contributions are strong state involvement in the economy, including state owned industrial enterprises and banks, more regulated financial sectors, and sovereign wealth funds, along with intimate relationships between corporate elites and the state. Such features are then seen as the basis for enduring conflicts with the more liberal North: this 'common institutional setup' is 'inherently incompatible with international economic institutions shaped according to the liberal model' (Nölke et al., 2014: 24; a similar view in Stephen, 2014: 929).

These analyses point to important aspects of the conflict but they tend to background that there is a material conflict of interests involved. Dominant social forces in these emerging but still less developed and more dependent countries have an interest in defending such institutional arrangements to the extent that they help preserve state capacity and policy spaces that allow them to pursue not only economic development, but development trajectories that benefit them rather than Northern capital. The two sides share a strategic interest in the continued development of capitalism in the global South, but there are conflicts over the conditions for this process. The underlying structural issue is whether Northern transnationals or the emerging bourgeoisies from the South will benefit most from this process.

In the present analysis the task is to assess movements in political manifestations of the conflict in the current conjuncture. They are found in several fora, important among them the IMF, the WTO, and the growing number of bilateral and regional trade and investment agreements, completed or being negotiated and often covering a wide range of issues.

*Patterns of contestation*. In the IMF the emerging powers find the adjustment of voting power to be inadequate and the pace of reform too slow (Wade, 2011: 365f). On the other hand, while the use of capital controls had long been a contested issue, in the wake of the financial crisis the IMF adjusted its 'institutional thinking' and is now more accepting of this policy tool (Grabel, 2014), thereby to some extent accommodating the emerging powers. Furthermore, the BRICS countries (Brazil, Russia, India, China, South Africa) demonstrated political will to counter the influence of Northern powers when in July 2014 they signed the treaty for the New Development Bank and the associated Contingent Reserve Arrangement, functionally mirroring the World Bank and the IMF (BRICS, 2014). China's initiative to establish an Asian Infrastructure Investment Bank, announced in April 2014 (GBTimes, 2014), points in the same direction.

In the WTO, very little progress has been made since the launch of the Doha-round in 2001 and so far it has been impossible to agree on more substantive issues concerning market access and export subsidies (Page et al., 2008; Pakpahan, 2013). Both sides are unwilling to compromise and, in contrast to the Uruguay Round, the North has not been able to push through its agenda, while the South is unable to overcome resistance from the North. Furthermore, the fate of the so-called Singapore issues in the Doha Round is important. Among them is the relationship between trade and investment which pertains directly to the conditions for foreign investors in developing countries and therefore merits a broader consideration.

*The trade and investment regime complex.* The Uruguay Round negotiations on Trade Related Investment Measures (TRIMS) were concluded in 1991 after tough negotiations, pitting developing against developed countries (Croome, 1995: 256-261), and producing 'a useful but somewhat meagre result' (Croome, 1995: 309-310) that was disappointing for those seeking to liberalize FDI in developing countries. Moving forward on another front, the OECD countries launched negotiations for a Multilateral Agreement on Investment (MAI) in 1995 (Henderson, 1999: 19) with a view to liberalize FDI among members even further *and* create an instrument to which non-members eventually could accede, i.e. an alternative to the WTO track. This initiative was abandoned in 1998 because of a combination of popular protests and difficulties in agreeing among OECD members (Henderson, 1999: 27; Walter, 2001).

After this, renewed efforts were made to bring up investment in the WTO, and the 'relationship between trade and investment' was included in the Doha 2001 Mandate (WTO, 2001). But after some working group meetings it was decided in 2004 that 'no work towards negotiations on any of these issues will take place within the WTO during the Doha Round' (WTO, 2004). Firm resistance from developing countries was behind this full stop to talks about investment in the WTO (Khor, 2007).

Meanwhile, however, the number of bilateral, regional and trans-regional trade and investment agreements had continued to grow, a trend that took off in the early 1990s and continued throughout the next decades, but weakened around 2010. This involved both North-South and South-South agreements. By 2012 there were 'over 2.800 bilateral investment treaties (BITs) and over 340 "other international investment agreements" (e.g. free trade agreements (FTAs), economic partnership agreements (EPAs) or framework agreements with an investment dimension)' (UNCTAD, 2013: 1). According to UNCTAD, this 'highly fragmented treaty regime' has 'gaps, overlaps and inconsistencies' and 'deficiencies in investor-state dispute settlement' mechanisms, where 'countries and firms find it increasingly difficult to navigate' and where it is a challenge 'to preserve appropriate policy space for host countries' and to 'balance the rights and obligations of states and investors' (2013: 1).

There was also a discernible scepticism towards BITs in emerging economies. Brazil, having negotiated 14 such treaties in the 1990s eventually declined ratifying *any* of them (Lemos and Campello, 2013).  BITS generally have an expiry date, and by the end of 2013 'more than 1300 BITs would enter their 'anytime termination stage' where review, revision, and possible termination is possible. At least South Africa has used this opportunity to revoke some BITs and generally, in the second decade of the century, 'the inclination to enter into such treaties has decreased' (UNCTAD, 2013: 3).

But initiatives were pursued elsewhere. In 2012 the OECD decided to open its Investment Committee to non-members 'with full rights and responsibilities' (OECD, 2012). This implies adherence to the OECD Codes of Liberalization which remains the most liberalizing investment regime in the world. In other words, a new venue was created for expanding the existing strong regime country by country. Whether any emerging or developing country will accept this invitation remains to be seen.

Another initiative is the *Transatlantic Trade and Investment Partnership* between the US and the EU, negotiated formally since February 2013. Although focusing on EU-US relations, the TTIP explicitly also has the purpose to 'contribute to the development of *global* rules that can strengthen the multilateral trading system' (The White House, 2013, emphasis added). The idea is, in other words, akin to the failed MAI initiative, to create a highly ambitious regime that further removes restrictions on trade and investment and serves as a model, the principles of which non-members one by one can be induced to adhere to.

The TTIP is not the only initiative underway which covers both trade and investment. In 2014 the EU was engaged in negotiations with India, China, ASEAN, and Mercosur, and the US was negotiating a Trans-Pacific Partnership Agreement (TPP) with Asia-Pacific countries and had less formalized talks with several other countries. Various South-South negotiations also took place, for instance between India and some Latin American countries, and between Mercosur and the Pacific Alliance (Chile, Colombia, Mexico and Peru) while preliminary talks also have been held between Brazil, India and South Africa.

*The state of the play.* In sum, the global trade and investment regime complex is in a state of flux. Negotiation and contestation take place at multiple sites where the US and the EU are pressing for liberalization and strong investor protection and emerging powers and developing countries are defending their policy space, while at the same time also seeking to attract foreign capital, but under conditions beneficial to the development of national businesses.

In conclusion there are signs of a limited adjustment in power relations. In the WTO Southern countries have proven strong enough to resist the pressure from the North, and they have scored some gains in the IMF and related fora. But there and elsewhere they have so far only shown limited capacity to develop and forward their own agenda although the new development banks may begin to change this picture. The situation is still unsettled and it remains an open question whether the emerging powers will have a stronger position in a reconfigured transnational power bloc with a hegemonic project that is more accommodating to their interests.

Having now examined the three main lines of conflict in the power bloc, I now turn to a more tentative discussion of the dynamics of interaction between them.

*Dynamics of interaction*

*Production versus finance interacting with old versus new.* As already mentioned, with reference to the Varieties of Capitalism literature, a common feature of the emerging economies is that finance is more regulated and to some extent state controlled through state owned development banks and Sovereign Wealth Funds. In other words, the balance between the two fractions of capital is different, the capacity to direct investment towards industrial development being stronger in emerging economies. Given this, an increased political standing of these countries will, ceteris paribus, reinforce the relative standing of productive capital *vis a vis* finance, and vice versa: stronger emphasis on productive investment can imply a more accommodating stance towards the South. The recent emphasis on physical infrastructure, as evidenced by the 'Global Infrastructure initiative' announced at the G20 Brisbane Summit in November 2014 (G20, 2014), and the even more recent decisions by practically all Northern countries except the US and Japan to join the China led *Asian Infrastructure Investment Bank* (Mitchell, 2015) could be seen as indicators of such an emerging dynamic.

*Green versus black - old versus new*. Not many years ago, lacking progress in climate politics was often attributed to the unwillingness of emerging economies to accept binding reduction targets and their insistence on adding coal fuelled energy generation capacity (Hurrell and Sengupta, 2012: 463-464). But more recently there has been discernible movement in this regard (Hurrell and Sengupta, 2012: 471f), so much so that according to the *International Energy Agency* emerging economies have taken the lead in promoting renewable energy (International Energy Agency, 2014: 75).

A straightforward explanation for this is that it is much more feasible to increase the share of renewables in a situation of general capacity expansion, as is the situation in emerging economies, compared to the situation in old industrialized countries where it is much more about replacing existing capacity. Furthermore it seems that technological developments are steadily improving the competitiveness of wind and solar energy, making it more attractive for the new powers to pursue this path.

Still, important disagreements remain about the distribution of the decarbonisation burden and the extent to which emerging and developing countries should be compensated financially and through technology transfer (Boyle, 2012), and on how international trade, investment and other policies impact the greening of industry. Given the current state of flux of the latter, this paper can only illustrate potential dynamics through a few examples.

In May 2013, the WTO upheld a finding, against a Canadian appeal, that Ontario's domestic content requirement for equipment to renewable energy equipment was discriminatory and against WTO rules (Hutton and Bremermann, 2013). In December 2014, the U.S. announced stiff tariffs on Chinese solar panels, justified by a WTO ruling that Chinese producers were unfairly subsidized (Cardwell, 2014). In early 2015, Canada took a similar decision (Blackwell, 2015). According to the New York Times, a likely beneficiary of these decisions is Malaysia where Northern companies have invested heavily in solar panel production (Cardwell, 2014). Thus international trade and investment regulation have consequences for whether the North American market is supplied by companies located in North America, Chinese owned companies producing in Asia, or Northern companies producing in emerging economies.

A recent Government of India report (NITI Aayog, 2015) shows the other side of this. Some stakeholders, including some Indian owned businesses and some foreign companies already producing in India, advocate preferential treatment of India based production of equipment for renewable energy, while others, including both foreign manufacturers interested in export to India and some Indian players, advocate competition and a level playing field (NITI Aayog, 2015: 33 - 37). Policy choices in these matters depend not only on the relative strength of these interests in Indian politics, but also on the policy space allowed by international agreements. Conversely, Indian positions in international trade and investment negotiations are influenced by the strength of preference-seeking Indian interests.

These examples point to the possibility that conflicts over regulatory frameworks may hamper efforts to decarbonize, but also conversely that growing political pressures to decarbonize can create incentives to cooperate and compromise in such economic conflicts. In the current state of flux of the latter, however, I will refrain from an assessment of the relative strength of such dynamics and whether the latter – cooperation and compromise - will imply a relative strengthening of Southern capital or the opposite.

*Black versus green - finance versus industry*. From a strictly economic perspective finance is color blind; it directs money capital into the activities where expected yields are highest. Therefore, to the extent that the new financial architecture makes certain purely financial activities less attractive, as suggested above, the incentive to channel capital into the productive sector will be stronger. And to the extent that renewable energy and other green technologies become commercially viable and show growing profitability, such capital is likely to be steered increasingly towards the green sector. Another set of problems relate to the involvement of the financial sector in trading in the politically created markets for $CO_2$ emissions. This may have contributed to these markets' limited success, but on the other hand it seems that such negative consequences may not necessarily hit better designed carbon markets which the financial sector can help operate, of course with risks of speculative bubbles, herding behavior and so on. Thus there are three 'if's in this assessment, but it is a distinct possibility that the new relationship between industry and finance combined with a strengthening of green capital will contribute to channeling money capital into the green sector.

## Conclusion

The present international political conjuncture was analysed as a crisis of hegemony within the transnational power bloc, triggered by the financial meltdown and the great recession. On the background of the observation that the previous such political crisis, in the 1970s, lasted about a decade and that the neoliberal hegemonic project resulted from this lengthy process of political contestation, I argued that the next hegemonic project and growth model mainly will be shaped by political struggles around the main lines of conflict in the power bloc. I identified three such lines: between finance and productive capital, between green and black capital, and between capital from the old industrialised powers (for short labelled the North), and capital from the emerging economies, largely in the South.

Each of these lines of conflict were first analysed separately, looking at patterns of political contestation and policy development in each of them and using this to indicate changes in relations of power. On the first line of conflict I concluded that finance still is a powerful part of the power bloc but its position has been weakened markedly and that institutional requisites for more intense state intervention in its operations have been created so that it no longer is hegemonic. On the second line of conflict I concluded that there are indicators that green capital is gaining momentum and I agreed with Newell and Paterson that 'there now exists at least an historic bloc in construction which we can imagine sustaining climate change policy' (2011: 39-40) but that such a putative bloc is not secured politically. On the conflict between old and new sections of the power bloc the conclusion was that there has been a limited strengthening of the new powers but that the situation

is unsettled and it remains an open question to what degree the emerging powers will have a stronger position in a reconfigured transnational power bloc with a hegemonic project that is more accommodating to their interests.
The ensuing tentative examination of dynamics of interaction between these lines of contestation pointed firstly to a possible pattern of mutual reinforcement between the relative strengthening of productive capital over finance and the strengthening of Southern capital in relation to Northern. Next, the interactions between green-black and North-South presented a mixed picture where the state of flux in the latter conflict combined with the multiple ways in which environmental and trade and investment policies interact make the dynamic difficult to assess. Lastly the discussion pointed to a possible but uncertain interactive dynamic between the strengthening of industrial capital in relation to finance and the growing momentum of green interests.

The conclusion is that the contours of a new hegemonic project, reflecting a reconfiguration of transnational power relations shaped by political contestations in the political crisis triggered by the financial meltdown and the great recession are not yet clear. One possible scenario is a transition to a markedly greener growth model where productive transnational capital from the North is hegemonic, but where southern capital has gained a stronger position in the power bloc. But this is not the only possibility. Continued stalemate in the North-South conflict is also possible, as is a loss of green momentum. Nor can a re-establishment of the hegemony of finance be ruled out, and various combinations of these possibilities could emerge. It is worth recalling that at the time of writing we are seven years into the present crisis and that in the previous similar crisis of hegemony it took about a decade of political contestation before a new hegemonic project was firmly established. Political contestation within the transnational power bloc as well as the engagement of popular social forces will determine the outcome.

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