



Critical Perspectives on Accounting

Volume 19, Issue 5, July 2008, Pages 714-740

International financial institutions and the new global managerial order

Jonathan Murphy [✉](#)

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<https://doi.org/10.1016/j.cpa.2006.08.008> [↗](#)

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Abstract

This article is a contribution to the continuing debate within critical accounting and broader critical theory circles about the nature of capitalism in a globalized economic order. It argues that the contemporary economic environment cannot be adequately explained by traditional critical theories of imperialism. Through an analysis of the emergence of Mittal Steel Corporation as the world's largest steel producer, I document how international financial institutions encouraged the success of this new type of transnational corporation that is culturally grounded but not geographically bound to a hegemonic nation-state. The Mittal example suggests that globalization is fundamentally altering the relationship between international capital and the nation-state, and heralding the rise of international financial institutions (IFIs) as key actors in structuring a global, elite-driven order. The IFIs operate outside democratic control and scrutiny, and are able to impose their preferred economic solutions across the world.

Introduction

The collapse of communism provided the world's elites with a window of opportunity to create a truly global economic structure. The discrediting of the state socialist model provided an impetus to the privatization program masterminded by neoliberal ideologues and initially implemented by the UK Thatcher government (Cockett, 1995). The dismantlement of the Soviet bloc and ultimately of the USSR itself permitted the global integration of the Soviet elites. The World Bank and the other transnational financial institutions had a crucial role to play in designing and implementing this new global order.

In this article I argue that the key features of the new global system are not private ownership, although it is present, or ideological purity, although it is claimed. Neither is the new system a form of imperialism as argued by neo-Marxists. The new economic system is a highly managed form of elite domination in which the nascent global governance institutions play a crucial – indeed, often decisive – role. They are not hesitant to ‘pick winners’, and are quite willing to choose corporations with roots outside the ‘core’ capitalist countries. Despite their protestations in favour of transparency and propriety, the World Bank and

the other international financial institutions (IFIs) are willing to overlook and even defend non-transparent business and governance practices in their pursuit of elite-led globalization. The core characteristics of the new global economic system include forced policy homogenization, favouritism towards transnational corporations over local solutions, and incorporation of national elites into global structures despite democratic deficits and wholesale corruption.

Current critical accounting perspectives on globalization, founded primarily on Marxist and postcolonial accounts of imperialism, are ill-equipped to explain the operations of a genuinely global economic system. According to both the original 'Leninist' (Lenin, 1960 [1916]) and the subsequent 'Wallersteinian' (Wallerstein, 1979) versions of these theories, the contemporary international capitalist system was marked by a fundamental spatial as well as class cleavage.¹ However, this spatial cleavage is of declining significance given the end of formal colonialism and the collapse of the Soviet bloc. The emergence of the Chinese, Indian, and other formerly imperialised economies as serious players in the global capitalist system is difficult to explain in a spatial theory of domination. As Marx predicted, the capitalist system is tending to become genuinely global: "[i]n place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal inter-dependence of nations" (Marx and Engels, 1969 [1848], 112). The global era of capitalism is marked by the deterritorialization of capital, by the integration of national elites into a transnational policy compact, and by the emergence of transnational quasi-governance structures. A critical explanatory framework for capital's new era must abandon notions of an organic alliance between the "nationalist bourgeoisie" in developing countries and global working classes, as the commonality of interest that existed between these two groups in Lenin's time is no longer present. It should account for the emergence of a transnational capitalist class (Sklair, 2001), the development of transnational cross-sectoral elite alliances encompassing the public, private, and not-for-profit sectors (Murphy, 2005), and the establishment of a nascent governance structure for a global economic system.

The theory of global managerialism which illuminates this article is discussed in detail elsewhere (Murphy, 2006b). Briefly, it argues that the dominant stratifying feature of contemporary society is the unequal distribution of power, of which possession of economic capital is only one, albeit important, feature. Society is dominated by an interconnected power elite (Wright Mills, 1957) drawn from different fields, possessing various forms of capital in varying combinations (Bourdieu, 1986), and coalescing through conscious network-building (Rischar, 2002) and common 'habitus' (Bourdieu, 1994). The locus of elite formation and solidarity is moving beyond the national to the transnational arena (Robinson, 2005). This arena is increasingly structured by transnational institutions that tend to establish discipline through governmentality (Foucault, 1991) rather than through overt force, and operate primarily through networks rather than formalized hierarchical structures (Hardt and Negri, 2000). The fluidity of the system permits new actors to be incorporated into the power elite and institutional networks, avoids entrenched conflict and allows problems to be 'ring-fenced' and resolved without creating oppositional "chains of equivalencies" (Laclau and Mouffe, 1985).

My argument is illustrated empirically through presentation of three interrelated 'moments' in the construction of this global order. The first is the meteoric rise of Lakshmi Mittal's Ispat steel empire on the back of global World Bank-mandated steel industry privatization. The second moment is the integration of a formerly state socialist elite – that of Kazakhstan – into global economic and political networks. The third moment ties the first two 'moments' together, and focuses on the specific example of the purchase by Ispat of Kazakhstan's giant Karmet steel plant, and its restructuring with IFI support.

The documentary elements of this article are based upon documentary analysis and field research carried out over several years in Kazakhstan and the UK.

Section snippets

Critical accounting perspectives on globalization

The debate about globalization within the critical accounting movement has naturally been influenced and illuminated by the debate in broader progressive circles, and indeed in wider popular culture. What might be called the “traditional left” originally questioned an apparent fetishization of the far-reaching and unstoppable character of globalization, used by ‘Third Way’ political tendencies to justify wide-ranging ‘market-friendly’ policies, and particular privatization and the elimination...

Origins

Lakshmi Mittal's steel empire has its roots in Ispat Industries, a medium-sized Indian steel producer founded by his father, from a prominent Marwari trader family (Hardgrove, 2004). Ispat Industries saw moderate prosperity in the highly regulated ‘licence raj’ era of early post-independence India, where the steel industry was and remains dominated by state-owned plants. In 2004, it had a market capitalization of approximately US\$ 135 million, making it the 158th most valuable Indian private...

Cultivating Kazakhstan

In this section, I begin by briefly describing the globalist trajectories of the two major IFI actors in Kazakhstan, the World Bank and the EBRD, before discussing the policy advisory and socialization vehicles they used to ensure the Kazakhstan elite's compliance with the terms and conditions of the new global order.

The World Bank, along with the International Monetary Fund (IMF), was established as part of the Bretton Woods agreement of 1944, in which the Allied powers established a framework ...

Rescuing Karmet

Ispat's purchase and renovation of the Karmet plant, supported by the IFIs, is a point of intersection with the macro process of Kazakhstan's integration into the global capitalist economy. I will explore how Karmet was transformed from a symbol of the victory of state socialism, into a poster child for Kazakhstan's integration into a new IFI-shaped privatized global steel industry. The Karmet privatization launched Lakshmi Mittal into the ranks of globally-significant steel producers, but also ...

Conclusion

At the outset, I asserted that the various existing critical approaches that describe contemporary economic globalization as a form of imperialism are inadequate in explaining key dynamics in the contemporary global system. In modern imperialism theories, capitalist class interests tend to fuse with the interests of the hegemonic state or states to create a single international division of labour. This spatially-centred system assures the subjugation of non-core states and their elites....

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Enabling global accounting change: Epistemic communities and the creation of a 'more business-like' public sector

2019, Critical Perspectives on Accounting

Citation Excerpt :

...In our study, we provide some insight into the role of accounting in the globalization of a broader neoliberal policy agenda. On its own, linking accounting to neoliberalization and globalization is not new (Suddaby, Cooper, & Greenwood, 2007).² Our contribution to this literature comes from our examination of accounting innovation before, and as, it became 'fixed, known and unproblematic' (Preston et al., 1992, p. 564)...

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Globalisation, accounting and developing countries

2017, Critical Perspectives on Accounting

Citation Excerpt :

...Globalisation alters relations between international capital and nation-states, which raises major questions about the regulation of corporations. Traditional theories of imperialism cannot adequately explain how MNCs, culturally grounded in but not geographically bound to one nation-state, can dominate the economic environment; and how international financial institutions beyond democratic control impose their preferred economic solutions and an elite-driven global order (Murphy, 2008). DCs are particularly vulnerable as they often lack the clout, expertise or resources – and even regulatory laws and institutions – to regulate MNCs (see Hopper et al., 2009)...

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Power over empowerment: Encountering development accounting in a Sri Lankan fishing village

2011, Critical Perspectives on Accounting

Citation Excerpt :

...Researchers then proceeded to explore complex relationships between culture and power in relation to accounting, governance and accounting education practices. Consequently, a considerable number of publications appeared in Critical Perspectives on Accounting (McPhail, 2001; Neu and Heincke, 2004; Gallhofer and Haslam, 2006; Neu and Ocampo, 2007; Murphy, 2008; James, 2008; Boyce, 2008; Oakes and Young, 2010; McPhail et al., 2010; Alawattage, 2011; Tremblay and Gendron, 2010). Avoiding the pitfalls of structure and agency relations (see Shusterman, 2005), most of these researchers relied on "relational thinking"....

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