

**MONEY TALKS:
BUDGET DEFICIT CRISES CONSIDERED AS SOCIAL
MECHANISMS
IN THE GLOBAL POLITICAL ECONOMY**

by

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The budget has been to our era what civil rights, communism, the depression, industrialization, and slavery were at other times.¹

Budget deficits are bad, very bad indeed. Creating them was indulgent. Tolerating their continued existence, insufferable. Or, so we are led to believe. The 1990s has so far been a decade of budget-cutting austerity and restructuring in most advanced industrialized countries. Great attention is directed to competitiveness as the liberalization of trade rules is extended further, and as governments seek to attract scarce financial capital (Sinclair, 1992; Krugman, 1994; Gill and Law, 1989; Cerny, 1993). In many countries, government budget deficits have been identified by neoliberal policy intellectuals as one of the leading causes of relatively lower growth rates and persistent unemployment (Williamson, 1994: 26). Deficit reduction has become a major priority for governments, and strategically important elements within many civil societies seem to support this objective.

As this paper demonstrates, however, the social and financial impacts of budget deficits are debateable, and the costs and benefits they generate vary for different social interests. The 'common sense' of deficit discourse actually tells us little about what is really at stake in public finance. The more compelling observation about this deficit discourse of the 1990s is the degree to which its real significance lies in areas beyond the strictly fiscal. The deficit discourse is therefore properly understood with a "lens that is wider" than that usually deployed (Murphy, 1994: 10), as a mechanism of social and political hegemony construction and maintenance, rather than as an exogenous set of policy ideas, as it is in the orthodox liberal account. In structural terms, the deficit discourse must be considered in terms of broad processes of making sense of the world we live in under conditions of increasing uncertainty (Beck, 1992; Beck, Giddens and Lash, 1994; Bernstein, 1996). Within this context, deficit discourse can be linked to the particular interests of globalizing elites, which seek to shape it to their purpose of developing strategies of wealth-creation and political control.² The deficit discourse, therefore, can be thought of as an important element of what Gramsci saw as the intellectual and political leadership necessary to the maintenance and reconstruction of world order (Murphy, 1994: 11).

1. White and Wildavsky, 1990: xv-xvi, cited in Wildavsky, 1992: 462.

2. On capital as a social force, see Gill, 1994: 179.

The argument to be made here is that the deficit discourse is best understood as a product of a set of conditions which bring into question many of the core ideas, institutions and material capacities that have been at the center of the dominant system of wealth-creation and social control since World War II. These conditions include low growth, a perceived failure of state activism to solve poverty and crime, hypercompetitiveness, and a disenchantment with elite political administration. An important strategic initiative in response to this set of conditions (or threats) on the part of globalizing elites, has been to generate what Gill has identified as "new constitutional" governance devices. This new constitutionalism can be understood as "the political project of attempting to make liberal democratic capitalism the sole model for future development," through the creation of a defensive system for the new spatially-extended relationships that comprise an increasingly global economic system.³ I argue that the deficit discourse is closely related to this development, and operates as a way, mentally and in practice, of closing sets of practices off from contestation, or at least of greatly narrowing the parameters of the public debate in ways that sustain a globalizing hegemony. An important feature of the discourse has been the propagation of a framework of thought centring around what are called synchronic assumptions, in which policy issues are increasingly interpreted in elite circles (Cox with Sinclair, 1996: 179-183; Sinclair, 1997). Synchronic assumptions, which dominate financial markets, are short-term in nature, and are at odds with the planning, research and development logic required of diachronic or productive processes that underpin the maintenance of social cohesion and growth (Cox with Sinclair, 1996: 181). The propagation of this infrastructure of thought and practice by means of the deficit discourse may be the discourse's most important impact in the long run.

This argument is developed in three sections. In the first, the broader context or set of conditions which makes the deficit discourse possible is considered. This includes both the material and discursive conditions of possibility. The second element of the paper looks at the social construction of the discourse itself. Here attention is given to examining the literature on budget deficits. The purpose of this discussion is to undermine the idea that there is actually unanimity on deficit matters, despite appearances that suggest there is, by providing a sense of the main lines of contestation. This is followed by a brief discussion of the

3. See Gill, 1992: 159 and Sinclair, 1995: 5-8.

production of the discourse itself, the processes which are central here, and an outline of the way power is exercised in this production. The last part of the paper considers a series of implications that follow from the emergence of deficit discourse. Some arguments related to investment, knowledge and governance issues are made here.

CONDITIONS OF POSSIBILITY

Five conditions of possibility have allowed for the development of what I term deficit discourse. They each in their own way relate to the transactional volatility, authority re-allocation and transformations of work which seem to lie at the heart of the phenomenon called globalization (Sassen, 1996; Mittelman, 1996). These conditions have enabled the creation of the deficit discourse, although none of them has made it inevitable. How the discourse seems to have been socially constructed is considered in the subsequent section. The five conditions of possibility comprise an absence of prosperity, the perceived failure of state activism, hypercompetitiveness and its effects on individual consciousness, intra-elite conflict and disciplinary social regulation, and the much more entrenched condition of patriarchy.

The absence of prosperity condition has undermined the basis of the established ensemble of hegemonic relationships which underpinned the post-war world order. This order was premised on critical side-payments between hegemonic social forces (the antecedents of the contemporary globalizing elites), and subordinate social forces which had been brought into alliance with them, such as privileged or semi-skilled industrial workers. These side payments were premised on growth and constant productivity improvement. Mass production (and thus mass consumption) systems grew out of this set of social arrangements, organized around highly rationalized work processes (Amin, 1994). However, with the onset of inflation in the late 1960s, this system became less able to deliver the sort of growth that was necessary for its own maintenance. Rising unemployment challenged the welfarist norms that had been enshrined in this set of social alliances, by raising the costs of the system, just as the capacity to support the existing level of transfers fell (Pierson, 1994). The effect of these circumstances was the gradual development of a sense of crisis and a demand for new solutions. However, because of the wide popularity of many of the tax transfers created in the post-war prosperity amongst OECD nations, this search was more problematic than it had been previously. There was great reluctance amongst subordinate social forces to go along with policy change of this sort. The crisis would require more infrastructural strategies to develop lasting solutions in

most countries, although anti-labor campaigns were effectively deployed in some places, such as Britain.

If the first condition created a sense of ongoing crisis that would, on the whole, not find any ready solution in the strategies of the past, the second condition destroyed the idea that solutions were actually possible or desirable. A crisis of confidence developed in the perceived effectiveness of state intervention in the western economies. Possible causes for this scepticism about the social utility of the state lie in the stubbornness of low growth, despite repeated efforts to refire the post-war growth dynamic through corporatist wage arrangements, large infrastructure and energy projects, and the nationalization of 'strategic' industrial assets. The reversal of many of these initiatives in the second half of the 1980s only reinforced the sense that states were impotent. More recently, the re-emergence of international capital mobility has made states behave in ways which demonstrate to hegemonic and subordinate social forces alike, that states no longer preside as supreme sources of effective authority (Ferguson and Mansbach, 1991; Cohen, 1996). Although states retain legitimate legal power, the substance of their actions demonstrates a diminution of their capacity to act in ways which can effectively refocus social organization toward collective goals. The reassertion of economics in a non-Keynesian, marketized form, which has characterised the period since the mid-1980s, has further strengthened this diminution process by arguing that states do not possess the capacity to make effective choices in markets, because they lack full information and are driven by political imperatives which are not conducive to sound business decisions (Rhoads, 1985). This has now become the point of departure for policy initiatives in the central bureaucratic institutions of western societies, although this norm varies in intensity, and is at times challenged in the less salient departments which are responsible for maintaining the social safety net. On the whole, however, we can say that it is no longer possible to make convincing arguments about state action in ways that were commonplace in the post-war era.

The third condition which supports the deficit discourse relates directly to the individual's sense of personal survival. Hypercompetitiveness has become a central feature of everyday life in the West, and increasingly in what was the communist bloc too. This perception relates to what we might typically think of as globalization: plant closures and relocation to low-wage countries, increased trade flows, investment mobility, quickened turnover times, and so forth. But these material developments are matched by a new intersubjective understanding that the old regime of expectations is no longer operative. The forty hour weeks, work

rules, demarcation lines, mass production and large numbers of cheap, standard goods for consumption, had a core logic which to a degree valued the individual's reproduction, at least as an economic agent. But this set of expectations, broadly protective of the individual's well-being, has now been replaced by fierce competition of a zero-sum kind, often between workers (Gill, 1995). At the level of consciousness, this means the individual in the West increasingly views his or her workplace as a danger zone, in which the career failure of fellow employees is considered necessary to maintaining a semblance of one's personal security. Features of hypercompetitiveness include this collective moral instrumentalism about work relationships (intensive hypercompetitiveness), and the extensive hypercompetitiveness of the longer working day. Importantly, hypercompetitiveness reduces the propensity of the individual to mentally place themselves in the situation of others, thus reducing their tolerance for taxation and for others acting as their representatives. Individualization is greatly enhanced, and forms of collectivization are increasingly less possible.

Intra-hegemonic conflict is also an important condition of possibility for the deficit discourse. This condition speaks to the issue of leadership, and its necessity in a well-functioning system of social trade-offs between diverging and converging interests, and at the world order level, amongst states. Although certain policy options seem to have been effectively ruled out in the globalized conditions, there is an absence of agreement amongst elites on solutions to large-scale problems of the biosphere, of financial volatility and market panics, and of development in peripheral parts of the world system such as Africa. Gill has also identified the simultaneous development of a more narrow, disciplinary mode of social regulation of non-hegemonic social forces (Gill, 1995). This reflects the inability on many issues to establish a genuine and lasting set of trade-offs between interests. Differences over economic policy, say, which have been generated by business and industrial decline, increasingly come to be 'solved' by the imposition of new frameworks which have very particular benefits (for example, for the City of London). This way of solving intra-elite differences of view has had a chilling effect on the nature of public debate. The range of what can be contested has significantly diminished. The crucial feature of this environment is to present a picture of ongoing consensus to subordinate social forces, and to conceal this absence of lasting agreement at the core of social coordination.

The last condition of possibility that will be mentioned is patriarchy. This is a broader and much more pervasive condition than the others we have considered.

Workman has suggested that ideas about courage and sacrifice, fears of loss of control, abstract representations of policy choices, and the determination of authoritative speech, amongst other things, which are at the center of the construction of maleness, have helped lay the groundwork for the development of deficit discourse (Workman, 1996: 55-69). For example, he notes that discussions of public finance are typically shrouded in a scientific language which obscures the concrete nature of productive activity. Because our daily lives are real experiences and not abstract, the representations of these issues in symbolic form helps to "insulate the discussants from considering the human side effects of their policy recommendations, and inure them to criticism" (Workman, 1996: 64).⁴ Discussions of budget deficits, and of budget-cutting, can be undertaken without any consideration of consequences (and thus of their meaning for most people), freeing those who engage in these discussions to pursue elite agendas, because the accepted language employed by participants de-socializes and technicizes the organization of state funds.

These five conditions have not in themselves brought about the deficit discourse (nor are they an exclusive list). They are not agents of change. Instead, they represent transformation in the limits on agents, providing motive and opportunity for the transformation of previously coherent and seemingly fixed social relationships (Braudel, 1980: 31).

SOCIAL CONSTRUCTION OF DEFICIT DISCOURSE

So much for the conditions which have made the deficit discourse possible. Let us now examine the processes of social creation or construction of the deficit discourse. A key assumption in this interpretation is that particular accounts of the world go on to shape lived experience, because our social action reflects the norms and expectations we share as if these were material or 'real' structures (Wendt, 1992). Getting control over the process of discourse creation is therefore a significant question of power. Because "discourses are assets" of power in the hegemonic struggle, it is important to treat these discourses sceptically rather than as direct, true accounts of the world (Shapiro, 1996: xviii). This requires the investigator to adopt a genealogical approach, which seeks to historicize knowledge as reflective of particular interests, times and places (Devetak, 1996: 185). In the long-run, the goal of our investigation should be to isolate a "core

4. Much more could be said about this condition than is possible here. Workman's writings have made an important contribution by making it possible to think about fiscal issues in these terms (Workman, 1996: 55-69).

logic" - a more fundamental discourse - comprising "describable sets of formally related assumptions and procedures" which construct social phenomena, and organize initiatives for change, such as public policy (Patten, 1996: 366-367). This paper is a preliminary contribution to this objective.

Since the early 1980s, there has been an internal and external attack on the magnitude and purposes of government financing. Most recently, in a context of steady or falling tax rates, criticism has focused on budget deficits. Contrary to seemingly informed understandings, there is a debate of sorts surrounding government budget deficits (Savage, 1994: 100). However, this is not a mass, public debate. It is for the most part an internal, closed discussion amongst experts. The most striking characteristic of this debate is what appears to be an implicit agreement amongst the professionals involved that the conversation remain an internal one amongst them. The external face, which is familiar from television news, lacks qualification about deficits. Equivocation has been strikingly absent here, where a chorus of commentators from think tanks, corporations and other representatives of elite opinion have called for a fundamental revision of governmental utilization of deficit financing across the developed countries (Republican National Committee, 1994: 23-26). Over time, we might say that the sheer repetition of this call has become a "dull background noise, a kind of invisible yet inescapable fact of life... [an alternative view] then comes to sound like a curious, offkey whine" (McQuaig, 1995: 13). Gradually, a restructuring of the parameters of acceptable speech surrounding governmental finance and action has occurred in the OECD. The rhetoric of this campaign has been remarkable in character, volume, and frequency perhaps in an effort to communicate clear messages about arcane matters of economic and financial deliberation through the vehicle of tabloid journalism. This effort to generate public crises in the developed countries around budget deficits is best understood as a way of securing mass support for the reconstitution of hegemony. The immediate consequences of this struggle for influence over mass society are subtle but important changes in the bundles of mental schemata of perception and action which prefigure social relations by defining situations and providing interpretive procedures to us all (Bourdieu and Wacquant, 1992: 18). The best historical parallel to draw is with the campaign waged against inflation in the 1980s. Over time, this very successful effort to influence consciousness cemented into mass thinking the idea that inflation was universally bad, even when it was generally more favorable to wage earners and debtors than to ownership interests and creditors.

Data on budget deficits do not support the idea of crisis. The federal government of the United States, for example, has run a deficit more or less continuously since 1970, and had an accumulated national debt in fiscal 1995 of about \$5 trillion, \$3.6 trillion of which was held outside government trust funds (Galbraith and Darity, Jr., 1995: 5-6). This sum, when considered as a proportion of Gross Domestic Product (GDP) in 1995, was about 52 percent. This proportion has in fact changed very little since 1939, when US Government debt as a percentage of GDP was around 47 percent (Eisner, 1994: 95). Globally, countries such as Canada, that have demonstrated high growth in the post-recession years of the 1990s, supported what were perceived to be high deficits and accumulated debt. Other very rich countries like Belgium top the league tables in accumulated debt, at around 130 percent of GDP in fiscal 1995 (*The Economist*, February 3, 1996: 105). This data suggests there is no obvious or automatic link between fiscal rectitude in budgeting terms and economic success. Looking at the analytical supports it starts to become clear why this link is not found. Oddly perhaps, given the absolutist nature of the deficit discourse, there is, in fact, no numerical criteria of what is a good deficit and what a bad one (other than the assumption that larger deficits are worse than smaller ones). Inconveniently, public finance and economics do not provide criteria of rectitude. Any figures, therefore, have to be interpreted, and the macroeconomic circumstances surrounding them must be considered, to arrive at a reasonable view of the current state of affairs.

Precisely this point about the qualification required in the interpretation of numbers is lacking in the deficit discourse. The reason for this, in the first instance, is that anti-deficit thinking has its origins in historical experience, political theory and the adjustment of what Bourdieu calls habitus, by globalizing elites, and not in the supposedly technical output of economic or financial analysis.⁵ As Savage has noted, in the US, the issue of balanced budgets ultimately refers to the debate about the appropriate role of the federal government in American society. The balanced budget "serves as an organizing principle that guides public policy and public discourse and acts as a symbol for competing visions" (Savage, 1988: 1). This context for US fiscal policy developed as a response to the aversion to European "corruption" that was important in the

5. Lury defines habitus as a set "of dispositions, a system which organizes the individual's capacity to act" (Lury, 1996: 83). It can also be thought of as a framework of taste and preference.

founding of the American republic.⁶ A balanced budget symbolized restraint of federal government authority. This represents, argues Savage, the triumph of Jeffersonian ideas about government, which emphasized decentralization, restrictions on federal power and states' rights, over the (more European) Hamiltonian model, which valued enhanced federal authority, reduced state competence and federal promotion of the economy as primary positions. Van der Pijl's work allows us to connect Lockean premises to the Jeffersonian ideas, and Hobbesian ones to those of Hamilton, and thus to recast the US debate globally (van der Pijl, 1995: 100).

The strong linkage of deficit politics to thinking about contemporary morality is evident in much of the anti-deficit writing. The most eloquent articulator of the relationship of moral constraints and deficits is Buchanan (Buchanan, 1995: 347-355). Others have noted a "norm" of budgetary balance, and how this suffered erosion under Keynesian influence in most parts of the world between 1933 and 1979 (Kettl, 1992: 17 and 21). Buchanan argues that the moral discipline (at least in public) that characterized the British Treasury and parliamentary elites in Keynes' era, and allowed for a regime of implicit norms to govern public finance there, could not be successfully translated to the American (or other) contexts, as Keynes' ideas about fiscal policy grew in popularity around the world. The greater number of self-seeking actors, and the decentralized nature of constitutional arrangements, meant that once Keynesian ideas had given the US Government the new role of economic manager, moral constraints were removed from deficit spending, and public expenditure could grow without moral hinderance (Buchanan, 1985: 1-6). The problem with Buchanan's argument, however, is that if it is moral constraints which have been lost, why then have deficits only consistently characterised the period since 1970? What of the first forty years or so after World War II, when Keynesian ideas were hegemonic in the US and elsewhere, and yet deficits were still largely creatures of war?⁷ The more probable explanation for recent growth in deficit figures, as Eisner argues, is that the

6. Savage notes that post-colonial Americans thought "Corruption was most easily achieved when unscrupulous ministers took advantage of speculative opportunities offered by a large public debt and the government's need for revenues. The presence of a substantial public debt, or an abundance of excess revenues, justified a minister's claim that his agency required additional employees to administer the government's finances, thus enlarging his ability to offer graft and patronage" (Savage, 1988: 94).

7. On Keynesian hegemony in the US, see Stern, 1964 and Chamberlain, 1966.

relative lack of economic growth in recent times is at fault. He cites, for example, the Congressional Budget Office estimate that each one percent of additional unemployment adds around \$50 billion to the US federal budget deficit (Eisner, 1994: 94).

What of the other arguments made by the promoters of deficit discourse? The purpose of this paper is not to defend budget deficits as an optimal policy choice. Rather, our purpose is to peel back the common sense propagated by deficit discourse, to relativize it, and to demonstrate that this mechanism of hegemony actually rests on an unsure footing in the sense that it is, in fact, a mechanism for the promotion of particular interests, and not just a 'technical' matter. The main arguments made against deficits are, first, that deficits 'crowd out' efficient private investment because the government soaks up all available cash. Second, deficits lower long-term savings rates. Last, that they cause inflation. To the extent that these issues are discussed outside policy-making circles they are presented in an unsophisticated way by using analogies to our own private incomes and expenditures. Just as one must manage one's personal finances with an eye to income and be aware of the opportunity cost of purchases, so, this view contends, governments face the same choices. This assumption, of an individual unit in isolation, upon which much of the deficit discourse is founded, is false. Governments do not face similar constraints to individuals. There is not, for example, a finite stock of financial resources awaiting investment in either private or public forms, as confirmed by evidence of falling interest rates in high deficit periods (Belton, Jr. and Cebula, 1995; Savage, 1994: 104). Nor can discrete national quantities of monetary resources be identified. Similarly, with savings rates, Eisner argues convincingly that they only exist in a circuit - in relation - to other activities. By reducing governmental outlays, pressures are brought to bear elsewhere. Mass layoffs of government employees, for example, might impose costs in terms of increased welfare expenses. The rapid increase in expenditure on private security in recent years in the United States is one example of flow-on effects, where private spending now overshadows public by 73 percent, up from 57 percent a decade ago (Blumenthal, 1993). The implication of Eisner's view is that the orthodox economic arguments about deficits lack consideration of diachronic factors: the actual conditions of resource use themselves. The primary issue here, according to Eisner, is whether there are actually slack resources or not. If there are, then deficits are more likely than not to raise savings rates and assist output, employment and consumption (Eisner, 1994: 119). It follows that deficits do not necessarily bring inflation. It all depends on the state of things - the diachronic conditions - and if deficits generate purchasing power that would

otherwise be lacking, they can mobilize economic life. Deficits can, on this logic, be "too small" as well as "too big" (Eisner, 1994: 102).

At core, what jumps out from the economic literature on deficits is the low valuation placed on governmental activities as a feature of wealth-creation. Krugman, for instance, distinguishes governmental activity from "real investment" that could have been used to raise productivity, and this seems to be a widely held view (Krugman, 1994: 159; Rhoads, 1985). The very center of the deficit discourse is, therefore, actually about transforming the guiding set of norms generated by the Keynesian welfare state more than it is concerned with changing narrow fiscal matters. What is interesting about it politically-speaking is the way that the deficit discourse represents itself as being a question of necessity rather than considered judgement, judgement being supposedly unnecessary in such a situation, and, in addition, that the discourse acknowledges no distributional impacts between social forces as a consequence of its implementation.

While an in-depth account of the mechanisms through which the deficit discourse is produced and distributed is beyond the scope of this paper, three important processes are identified here. The first of these is focused on public, legally-constituted authority, or institutions of the state. Preeminent amongst government departments everywhere is the Treasury or Ministry of Finance. The budget process, which is usually secret, is the main means through which the Treasury establishes its view of what are appropriate and inappropriate policy choices. Budgetary responsibility provides a point of entry for the Treasury to review existing arrangements of all kinds in its own terms. Assets can be sold and governance patterns altered in ways that would otherwise not be possible through the normal policy-making machinery of government. Constant references to deficit problems vastly empower the policy effectiveness of the Treasury in encounters with officials from other agencies who do not have this strategic financial oversight. The community then, is likely to see Treasury officials as those "in authority," and to inflate the importance of their discourse accordingly (Lincoln, 1994: 4).

A second means through which deficit discourse appears to be generated relates to expertise and professional knowledge, and the judgemental systems which surround it. This is Lincoln's second sense of authority, where an audience is prepared to listen and follow the counsel of the speaker, because that speaker is "an authority" in that they possess (or are supposed to possess) understanding,

insight or experience which has made them of eminence, to be deferred to. Academics fall into this category, especially in the natural sciences and to the extent that they mimic the Cartesian model in the social sciences. Economics is the most successful here. The judgements of economists about what a prudent deficit might be are much weightier than those of politicians, even if the economist in question actually has no understanding of public finance. This characteristic provides an important avenue in which neoliberal ideas about appropriate (and inappropriate) types of state intervention can influence deficit discourse. A more institutionalized form of these judgements are to be found in the bond rating agencies which publish credit ratings on major securities issues (Sinclair, 1994). Their views on appropriate financial arrangements are eagerly followed by potential bond issuers, who have a strong interest in altering their own activities to secure a better rating and lower their costs of borrowing. Ratings may also have crucial public impacts on voters and on stockholders, who treat the agencies as important authorities (Hayward and Salvaris, 1994).

The final means of discourse construction to highlight here is market behavior, principally in the financial sector, where the value of currencies and of bonds, stocks and other assets can fluctuate significantly with great consequences for governments, corporations and society (Woodward, 1994). Typically, in the mainstream account markets have been perceived as eminently rational and thus excellent means of judgement about matters like deficits. However, research is increasingly highlighting the short-termism and less than rational character of financial behavior (Heisler, 1994). Markets are not, in fact, an unquestionable source of unbiased opinion, but simply the most developed (and well-resourced) form of the short-termist, speculative mentality I referred to above as synchronic (Cox with Sinclair, 1996: 174-188). The fear of financial market judgement, which has developed with the reemergence of international capital mobility, has promoted the validity of market conceptions, and is an important element promoting deficit discourse.

PROGNOSES FOR INVESTMENT, KNOWLEDGE AND GOVERNANCE

What follows from this identification of a deficit discourse? The important questions which emerge from this discussion of the conditions and construction of the deficit discourse relate to its likely future impact on the world we live in.

A series of prognoses are considered below, organized in three broad fields: investment, knowledge and governance.⁸

Investment

Three arguments about investment and fiscal rectitude are made here. The first is what can be called the deflection argument. The second is related to competitiveness. The last argument has to do with policy autonomy. The deflection argument is essentially about a self-defense mechanism for synchronic investment norms. These norms seek to legitimate speculation in the non-real economy as worthy, socially-valid and respectable activities. However, since what Susan Strange has called casino capitalism took off after the collapse of the Bretton Woods order, average real wages have remained flat in the West, and especially in the United States (Strange, 1986; Reich, 1992: 206). Given the dominance within the nascent hegemony of synchronic norms, this mental schemata excludes distinctions amongst the types of investment being pursued. In this system of thinking, all investment has utility, and the real economy has no privilege over others. Accordingly, there must be some exogenous force, outside the framework of investment itself, which acts as a drag on wage growth. In the 1970s and 1980s, this exogenous force was understood to be labor unions, who could be blamed for the onset of inflation. In the 1990s, these unions were in retreat. Deficit spending has now become the perfect target for deflecting concern away from persistent problems of low growth. The most attractive thing about this for globalizing elites is the fact that the flat real wages of workers can be blamed on the demands of these same people as voters for all manner of pork barrel policies. That most of the US deficit is in fact due to demographically-driven entitlement programs, which reflect the cyclic nature of a more synchronic economy is not, of course, widely appreciated (Peterson, 1993).

The second argument suggests that concerns with efficiency in the narrow or 'allocative' sense have given the synchronic hegemony a new militancy. This new militancy, which is actually a reflection of pervasive economic insecurity even within globalizing elite circles, opposes the maintenance of socialized risk in a context of re-emergent international capital mobility.⁹ This harder edge can be

8. The ontology I incorporate here is adapted from Cox's essay, "Social Forces, States, and World Orders: Beyond International Relations Theory," (Cox with Sinclair, 1996).

9. On this theme, see Thomas and Sinclair (forthcoming).

seen in the venom reserved for welfare mothers, the roll-back of affirmative action in California, and heightened expectations on the part of employers concerning working hours and labor intensity.¹⁰ The anxiety amongst elites is revealing of their own understanding of the budget discourse and what it means. The new militancy is not just an external development, it reflects a struggle inside the leading edge of the hegemony itself. White and Wildavsky have argued that in Washington, the deficit is seen as a sign of ineptitude. The deficit became a "symbol of order," and its persistence seems to have generated the view amongst elites, especially those in the political regime itself, that they were "failing to govern the nation" (White and Wildavsky, 1989: 428). Focusing on the deficit through rhetoric that demonizes welfare mothers perhaps acts as a salve for the wounded confidence of these globalizing elites. Increasingly, this new militancy is being transmitted in professionalized form, through the agency of bond rating agencies and the other surveillance and judgemental systems (Sinclair, 1994; Pauly, 1997).

The third argument is about policy autonomy. The more obvious claim here is that OECD nations are seeking to lower their deficits so as to avoid leaving themselves open to political influence by their creditors. This is the implication of the work on the institutionalization of credit undertaken by Epstein and Gintis, which identifies a world of uncertain, reluctant lenders and borrowers, and thus qualified capital mobility (Epstein and Gintis, 1995: 698-699). A less intuitive argument, but perhaps a more feasible one, focuses on the effects of making a crisis out of budget deficits, so as to generate external sources of fiscal and more general policy discipline. External sources, not being subject to the same constraints as those coming from internal elite sources, might be understood to 'tell it how it is,' with no equivocation or qualification. My view, then, is that rather than wanting to see governments escape external constraints to a world of autonomy, globalizing elites are actually endeavoring to terminate national policy autonomy by attracting these sort of negative judgements. So, for example, McQuaig found that financial market elites in Toronto actually sought a downgrade of Government of Canada bonds by the New York credit rating agencies.¹¹ Policy autonomy was the last thing they wanted to reinforce.

10. This new militancy has strong links with Stephen Gill's discussion of disciplinary neoliberalism (Gill, 1995: 411).

11. These bizarre events are discussed in McQuaig, 1995: 44.

Knowledge

Three arguments about the knowledge or ideas implications of deficit discourse are proposed. The first of these evaluates the reductive intellectual impact of the deficit discourse on how problems are conceived. The second argument looks again at the private analogy in deficit thinking touched on above. The final point contemplates the extent to which deficit discourse is an agent of what we might call epistemic transformation of other positions within the emerging synchronic orthodoxy.

A central feature of the impact of the deficit mantra is the effect it has on the way problems are considered. Not only does the discourse potentially limit the schemata for thinking about the deficit problem itself, as discussed above, it also reduces how other problems may be conceived. These limits emerge from the orthodoxy of economic and financial analysis, the most important mode of contemporary human judgement and expression. Because the deficit discourse has emphasized the strategic role of deficit reduction in cross-national competition, perhaps as a means of popularizing the agenda, the tools used to make judgements about deficits - the schematic tools - have acquired a new salience. We can discern a "financialization of knowledge" and an exclusion of 'soft' variables in progress. The society where financialization and empiricization is most developed is the United States, but the importation of US accounting standards and the internationalization of business practices is increasing the salience of this form of knowledge outside the United States at a rapid pace. This process is linked to the hegemony of professional knowledge over local or situational knowledge, and the denigration of experience and institutional memory that are the results of successive efforts to "reengineer" organizations (Hammer and Champy, 1993). Within the deficit discourse itself, discussions of the savings 'rate' reflect this mentality, in which financial indicators, rather than diachronic considerations about organically-planned and executed productivity improvement, are held to be key (Gramlich, 1995: 171).

Western culture places a very high value on pragmatic knowledge focused, ostensibly, on solving immediate social problems. Discourse, or attempts to make real what is said to be meaningful, tends to be organized in ways which disguise the contested nature of its own assumptions through appeals to seemingly everyday problems with which we are all familiar. This appeal to commonsense is the reverse of what we might see as the epistemic authority strategy, which utilizes agents of high repute and is also a crucial aspect of the social construction of fiscal rectitude (Lincoln, 1994: 3). In the deficit context, as we have seen, the

way this appeal to commonsense is achieved is by invoking an analogy between the individual's own bank account and the government's expenditure. "We can't spend more than we earn, because if we do, our checks will bounce," seems to go this refrain. "If it makes sense for us, then it does for the (profligate/wanton/immoral/sinful) government too." This is an enormously powerful mechanism for the articulators of the discourse to bring into play, as we have discussed, because it avoids having to explain how government finances actually work (or indeed, to come to an understanding of them). It appeals to the most resourceless part of the population who do not have access to credit, and it has an intergenerational appeal, perhaps along the lines of the "Four Yorkshiremen" sketch.¹² The falseness of it needs little reiteration. Governments are agents of collective action, and enjoy the most superior creditworthiness because of their unlimited taxing powers.¹³ However, its rhetorical effect in delegitimizing anti-neoliberal social criticism cannot be discounted.

The final point about the knowledge implications of the nascent hegemony has to do with its effect on changing norms and values. Of all neoliberal policy platforms deficit cutting is, as discussed, closest to common prejudice. It provides an entry point for globalizing elites in different parts of the world to pursue the full range of their agenda. As the most intuitively obvious, it is also the easiest to sell to a wary community. If done convincingly, if it is a 'good sell,' then other aspects of the synchronic orthodoxy might be experimented with. There is a very subtle process of re-education of both local elites and hegemonized communities taking place here. To understand it more clearly will require extensive research on business schools, on patterns of foreign student recruitment and the like. Possibly the most interesting line for further research is the relationship between the deficit discourse "Trojan horse" and privatization of governmental services. What is apparent without further work is that deficits provide a crisis context for the insertion and acceptance of otherwise negatively perceived positions.

Governance

Three arguments are made about the governance implications of the nascent deficit hegemony. The first suggests that deficit cutting, the US balanced budget

12. A Monty Python comedy sketch in which four self-made men discuss the hardships of their youth, trying to outdo each other in describing the extent of their privations.

13. Even that bastion of deficit discourse, *The Economist*, has repudiated the private analogy (*The Economist*, February 10, 1996: 90).

amendment proposal, and fiscal responsibility legislation, are all features of the new constitutionalism project. The second is that deficit cutting is actually a more effective form of new constitutionalism because it generates less opposition, and thus is more likely to succeed than other forms. The final argument made here is that deficit cutting remains largely an elite concern.

The new constitutionalist dimension of the deficit discourse has two aspects. The first is the more obvious, and concerns proposals such as balanced budget amendments or fiscal responsibility acts, which attempt to tie the hands of subsequent administrations when perhaps motivated to use fiscal policy as an electoral tool. Parallels can be seen here with initiatives to give central banks formal independence from executive agencies that serve ministers, the origins of which can be found in the aftermath of the subjugation of the Federal Reserve to the US Treasury during World War II.¹⁴ More subtly, we can also discern a new constitutionalist agenda to allow the financial markets to have more leverage over government policy, by introducing commercial debt management and by freeing government pension funds to invest where they see fit rather than just in government assets. The agenda is to progressively reduce the advantage the government enjoys in the markets, and thus to increase the costs of future deficit finance, reducing its attractiveness as a policy option.

From a global governance point of view, where the focus is on diffuse forms of control, deficit discourse can be seen as a low cost and thus potentially more effective option than alternatives. The argument is that deficit cutting is infrastructural and incremental - when done well - and thus likely to encounter less direct opposition. Over time it can build up an understanding - and thus a basis for governance - within the hegemonized population about new ways of doing things (and not doing them). But not all deficit discourse is created equal, and some will be less effective, in that it will generate more opposition, than others. The most effective forms will use attrition, productivity gains and professionalization strategies (such as citizens' or consumers' charters) to demobilize opposition. On the other hand, short sharp shock strategies may also work.¹⁵ Strategies are likely to be based on the circumstances actually encountered.

14. Caner Bakir helped me make this connection. See Clifford, 1965.

15. This is the view taken by former New Zealand Minister of Finance, Sir Roger Douglas (Douglas, 1994).

The final argument about the governance implications of the nascent hegemony of deficit discourse, is that it is hard for elites to maintain public focus on this matter over time, as the 1996 US presidential election demonstrated. However, as might be argued from the British experience, strategies focused on adjusting schemata of perception and practice can be pursued without mass support. Indeed, the absence of a high profile campaign - such as those pursued by British Prime Minister Margaret Thatcher, for instance - might be a source of governance strength over the long haul if it limits the potential for organized, effective opposition.

CONCLUSIONS

The foregoing discussion was a first cut at the issues raised by the advent of deficit discourse. It barely considers the varying degrees to which this discourse operates or does not work in different parts of the world order. Hopefully, it has suggested some useful lines of thought for further research and conceptual development. What follows is a series of preliminary conclusions. The first is that deficit cutting is actually only properly understood as a political development, and not the objective or neutral process of technical correction it is represented to be. It is a process (or processes) pursued by elite interests, it can be thought of as a covert space of inter-elite competition, and one in which a synchronic social hegemony is in the process of being constructed.

It also seems reasonable to say at this point that deficit balancing norms and the *degree* and *form* of fiscal rectitude are likely to vary in influence, even as some sort of broad orthodoxy amongst globalizing elites is established across space. Although deficit elimination appeals to commonsense notions of financial management, mass publics seem unlikely to maintain the attention required to secure them within an explicit balanced budget hegemony over the long run. This in turn suggests the probable recourse to infrastructural and incremental strategies. Moreover, small increases in prosperity may blunt the short-run motivation for deficit-cutting, when new, unexpected revenues improve the fiscal position, as seems to be the case currently in the United States.

A crucial feature which this paper has only started to consider is the nature of global processes of promulgation, modification and adoption of deficit discourse. As in other areas of contemporary economic and financial life, there seems to be a transnationalization tendency at work here, which is linked to the spread of American business and policy norms. Given this, and likely future resistance to this development in other parts of the world order, research also needs to be

focused on alternative public finance agendas, such as those in the rapidly developing societies of East Asia, where diachronic norms have been hegemonic in recent years. Here we might anticipate resistance to the mental orthodoxy of deficit discourse.

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