

Hybrid Rule and State Formation

Public–private power in the 21st century

Edited by Shelley L. Hurt and Ronnie D. Lipschutz



RIPE SERIES IN GLOBAL POLITICAL ECONOMY

Hybrid Rule and State Formation

Neoliberalism has been the reigning ideology of our era. For the past four decades, almost every real-world event of any consequence has been traced to the supposedly omnipresent influence of neoliberalism. Instead, this book argues that state power across the world has actually grown in scope and reach.

The authors in this volume contest the view that the past four decades have been marked by the diminution of the state in the face of neoliberalism. They argue instead that we are witnessing a new phase of state formation, which revolves around hybrid rule—that is, a more expansive form of state formation that works through privatization and seeks pacification and depoliticization as instrumental to enhancing state power. Contributors argue that the process of hybridization, and hybrid rule point towards a convergence on a more authoritarian capitalist regime type, possibly, but not necessarily, more closely aligned with the Beijing model—one towards which even the United States, with its penchant for surveillance and discipline, appears to be moving.

This volume sheds new light on evolving public-private relations, and the changing nature of power and political authority in the 21st century and will be of interest to students and scholars of IPE, international relations and political theory.

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For Aristide R. Zolberg. Who taught legions of students about the meaning of state formation in history and theory.

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Preface

This volume emerges from the bowels of the National Archives and Records Administration in College Park, MD when I began conducting dissertation research in the Nixon Presidential Materials Staff in 2004. I traveled frequently to the National Archives while living in residence in Charlottesville, Virginia on a fellowship with the Miller Center of Public Affairs between 2003 and 2004. I also had the pleasure that year of asking Ronnie to serve as my “Dream Mentor” as part of the Miller Center’s fellowship program. During that year of archival exploration, I read thousands of pages of documents on the Nixon administration’s ambitious efforts to remake the domestic political economy at home and relaunch U.S. foreign policy abroad. In particular, the archival records show Nixon administration officials rethinking the deployment of state power to outwit domestic adversaries and international competitors through the application and popularization of “reprivatization” policies. Foremost among the administration plans for promoting “reprivatization” was not only jumpstarting the sagging economy but also centralizing political authority and decision making in the midst of profound social unrest and new Cold War challenges. Reprivatization then served political goals more than economic ones.

The implications of using the private sector to enhance rather than diminish American state power became clearer as my research focused on the high stakes of Nixon’s 1969 decision to convert the nation’s Biological Warfare Program into the Biological Research Program. While this episode is rarely studied and little understood among political scientists and historians alike, it became apparent as I buried myself in the materials that the conversion process represented a critical juncture in American political history with profound implications for world politics. Most interestingly, President Nixon and administration officials conceived of the private sector as an extension of U.S. state power as they carefully negotiated a way to carry out the conversion process during détente and arms control negotiations. Among the innovative strategies for accomplishing this goal, the administration launched a series of ambitious industrial policies that would ensure reprivatization became a new governing credo. To draw attention to these plans, Nixon officials held a series of high-profile events in 1971 and 1972, such as the White House Conference

on the Industrial World Ahead: A Look at Business in 1990. Therein, a senior unofficial advisor to the Nixon White House, Dr. Simon Ramo, vice chairman of the board and chairman of the executive committee of TRW, Inc., who later received the Medal of Freedom from President Reagan in 1983, delivered a speech where he previewed a new era: "Our hybrid economy, part free enterprise and part governmentally controlled, will take on a new form constituting a virtual Social-Industrial Complex by 1990, this developing government-business teaming greatly influenced by resource and technology matters." Our inspiration, so to speak, comes from this prescient speech and fertile historical moment when the American state shifted gears, setting the country on both an altered political economy and national security path toward one defined by hybrid rule.

My investigative journey led to an invitation to present my research findings on "An Underground Arms Race: Biodefense Policy in Historical and Contemporary Perspective" at the Center for Global, International & Regional Studies, UC Santa Cruz in 2005 and then to present my research findings on a panel at the International Studies Association (ISA) Convention in Hawaii in 2006. The next year I received the Carl Beck Award from the ISA for a paper entitled, "Patent Law, Biodefense, and the National Security State, 1945–1972." Therein, I presented one of my most surprising and controversial research findings, namely that the "private sector serves as a shield of the national security state" more often than scholars recognize or Americans admit. The potential significance of this realization and its relationship to a hybrid future, where public accountability and democratic deliberation are severely circumscribed, led Ronnie to suggest we pursue the topic in more depth. Little did we know at the time that controversies surrounding Blackwater, the National Security Agency's partnering with AT&T, and the Edward Snowden revelations, to name just a few, would spotlight the American state's updating and retrofitting the military-industrial complex for a new age.

The journey to complete this book spans five long years from the time we held our first workshop in New York City at the Annual International Studies Association conference with generous support from a Venture Capital Grants in the spring of 2009 to our finalizing the project this year. We've benefited tremendously from the initiative of our colleagues who assisted with raising funds for us to debate our ideas in person in Sydney, Australia, and Paris, France. We also came together during ISA conference proceedings in New Orleans and Montreal. Through it all, the participants and contributors to this volume have taken the ideas seriously and engaged in lively and stimulating debates. Those spirited debates infused the development of this project after we were privileged to receive the participation of "A-list" scholars from around the world and from a variety of theoretical and methodological perspectives. The stature of the senior contributors to the volume meant the stakes were high. Nevertheless, together we cultivated a respect for intellectual diversity while recognizing that ideas matter because they shape perceptions of reality and influence political action. We hope this book provides an

opening to challenge long-held assumptions from a variety of viewpoints in order to shed light on this critical issue in world politics while broadening and deepening this on-going debate.

We are grateful for the incisive comments we received from three anonymous referees who contributed significantly to the final manuscript. We also want to thank the RIPE Series editors, at Routledge, such as Jacqueline Best and Nicola Parkin, with special thanks to Peter Harris, who assisted us kindly with every step of the process. We are also grateful to all of the many participants who generously attended our many roundtables and panels at the Annual International Studies Association conferences over the past five years and who helped us to sharpen our focus. Most notably, Ronan Polan deserves special thanks for pushing us to foreground the issue of state formation in our larger analysis about hybrid rule and global convergence.

Shelley L. Hurt
April 2015

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Introduction

Hybrid rule and state formation

Shelley L. Hurt and Ronnie D. Lipschutz

One of the greatest political surprises after the tumultuous first decade of the 21st century is the enduring policy prescription of privatization. Despite the 2008 financial crisis and the serious scandals surrounding private security contractors, such as the company formerly known as Blackwater in Iraq, privatization remains a favored policy ideal across the political spectrum for all that ails contemporary capitalist economies and the liberal democratic systems that undergird them.¹ Such robust adherence to a major tenet of market fundamentalism calls out for explanation because in practice this policy ideal has counterintuitively led to substantial growth in state power, rather than its diminution, as is commonly believed.

In this book we examine this puzzle by revisiting the historical causes that led to privatization as a preferred policy ideal. We seek to understand the political forces that initiated privatization as public policy in order to rearrange the puzzle pieces, and thus create a new image, and hence, a new narrative about the growth and resilience of state power. We explain how and why these public sector forces sought novel ways of deploying the private sector to pursue national goals, shield elite activities, and enhance control of the social order. This book argues that pursuing an alternative narrative about the sources of privatization is an urgent matter; the implications of our arguments suggest that electoral representation and democracy are at stake.

The research question animating this investigation asks: Why has privatization come to be regarded as the preferred public policy prescription in domestic and international affairs? For three decades, social scientists have debated the rise of privatization as the main plank of a resurgent *laissez faire* doctrine, one attributed to President Reagan and Prime Minister Thatcher, both of whom broke from the Keynesian post-WWII paradigm of economic governance. The dominant explanation for the move toward privatization has been neoliberalism.² Whether proponents or detractors, such claims have come in three variants. The first is based on the ideology of equating market mechanisms with natural laws. Privatization then supposedly emerges as a result of the benefits it confers from strengthening the hand of the market over the state and freeing individuals from control by the latter. This version aligns with the so-called neoconservative movement. The second is based on the liberal

economic principle that market mechanisms are more efficient than public ones in providing services and in ensuring cost savings. This version aligns with mainstream centrists who propose widespread efficiency gains from privatization. The third version of neoliberalism is based on the Marxian view that corporations control the public policymaking process and are systematically impoverishing the polity. This version can be represented by either instrumental or structural claims, but in both the practice of privatization represents capital gaining the upper hand over the state. In all three accounts, the state drops out of the equation or is at least diminished substantially as a power and a player.

Yet, as a number of chapters in this book illustrate, we are confronted increasingly with many real-world examples of privatization that have failed to provide the economic benefits or costs claimed by its adherents and detractors. Instead, the process produces a wholly different set of outcomes than those expected. Indeed, privatization's very mixed record suggests quite strongly that conventional explanations based on support or critique of neoliberalism shed little light on the nature of political power today or how it is being deployed.³ A particularly provocative consequence of this process—documented in several chapters in this volume—is the way in which national security considerations move to the foreground in explaining a large fraction of instances of privatization, replacing the ideological and economic considerations enumerated above and helping to shield from public view our awareness of how security and economy work together.

In asking why privatization has come to pervade *public* life, the contributors to this volume seek to uncover political patterns and processes that are hidden or obscured from view. The proposition we advance here centers on the term *hybrid rule*. While seemingly faddish, inasmuch as the word “hybrid” has come to be associated with everything from cars to scientific discoveries, *hybrid rule* is a political concept that encompasses the implications of both privatization and so-called public-private partnerships in newfound ways. More specifically, we define *hybrid rule* as follows:

Hybrid rule results from a set of practices deployed by political elites that rely on the private sector to shield national security activities by expanding state power while constraining democratic accountability. This hybrid rule strategy seeks to safeguard the state's legitimacy through valorization of the market as a primary mechanism in pursuit of myriad political objectives.

In contrast to studies of international regimes, for instance, which refer mostly to real-world, tangible institutions in space and time, *hybrid rule* is a process whereby public and private sectors, encompassing states, businesses and even civil society, converge in new and unanticipated ways (Krasner 1983). Most importantly, hybridization, the activity of implementing *hybrid rule*, describes the metamorphosis of the state as it contracts with and then

deploys the private sector on behalf of the former's objectives. To put this activity another way, *hybrid rule* emerges as the state harnesses the private sector and generates a new pattern of state–capital or government–business relations that redefine our understanding of political authority and power as well as the boundaries between public and private within contemporary Western traditions and societies.⁴ We hope that the specificity, yet breadth, of these definitional boundaries will spark a new research agenda into this alternative causal account of the rise and consequences of privatization.

We suggest that the chapters in this volume highlight an historical shift in state formation based on a newly emerging form of political organization in the 21st century, with far-reaching implications for the nature and exercise of political authority and power in the contemporary world. Suffice it to say, the account of historical change in state–capital relations offered here challenges the three variants of neoliberal-based frameworks that purport to explain the rise of privatization and the emergence of *hybrid rule*. Our contribution to the debate on privatization revolves around three organizing principles that loosely comprise our explanatory framework and buttress the concept (and practices) of *hybrid rule*. These principles center on first, periodization, a resetting of the conventional historical clock of the onset of privatization to the late 1960s to identify the causal origins of privatization; second, politics, an emphasis on the causal influence of the state and political elites on privatization with particular attention paid to political struggle over the issue of *political legitimacy*; and third, convergence, an argument that counters the commonly held post-Cold War assumption that the world is converging on a liberal capitalist regime type based on the American model, instead demonstrating that privatization and *hybrid rule* are circumscribing democratic values and practices. We suggest that this development points, instead, toward a convergence on a more authoritarian and managerial capitalist regime type, one toward which the United States risks becoming more closely aligned with the Beijing “model.”

We do believe, with Marx and others, that the past does not wholly determine the future but that we are not entirely free of what has happened in the past. We do not believe, in line with those searching for law-like logics in human behaviors, that social organizations and human behaviors can be reliably explained and predicted. We do not eschew the importance of material factors, such as economy, technology and geopolitics, in accounting for state formation and development, but we also do not fall into idealism, either, putting the burden of change on ideas and imaginaries. We seek to understand what has happened, is happening, and might happen in and to our world. To this end, we have encouraged methodological pluralism and innovation from the contributors to the volume, in the hope of speaking across differences even as we address the same phenomena. The theories and arguments that dominate international relations and political economy remain important, but they are incomplete and not up to accounting for that world. Someone, we believe, has to do work on the margins.

Contributors to this volume

In the interest of motivating scholarly attention and debate, as well as cross-fertilization among American, comparative, and international politics, our approach to the puzzle of privatization is methodologically and intellectually pluralist. Contributors to the book utilize differing and sometimes contrasting ontologies, epistemologies and even methods, but all agree that hybrid rule, as we have described and explained it, is a new or distinct phenomenon. The volume embraces the shared theme of trying to understand the tendency of the public sector to grow even as it pursues privatization policies. It also shares the theme of exposing how these practices depoliticize democratic societies. By re-historicizing privatization at various starting points, the contributors offer a more complex understanding of its dynamics and of its consequences. They have also chosen to focus on different parts of the “elephant,” so to speak, in order to elucidate the extent to which hybridization is taking place. The scale of their focus ranges from the molecular (in terms of biotechnology) to the body (in terms of its shaping) to the global (in terms of system and structure), facilitating illumination of the relationships between these notionally distinct levels. Such “analytical eclecticism” (Sil and Katzenstein 2010) offers, we believe, a way of communicating across languages and approaches in ways that permit greater specification of the real-world puzzle we want to solve—that after at least three decades of supposed privatization, the state has gotten significantly larger and more powerful in every measureable way—and how we might go about solving it. Not every reader will agree with either the arguments or conclusions offered here, but this study should be regarded as the launch of a new research agenda, rather than the concluding words on an old one.

The contributions to this volume are presented in three parts: Analytics, Empirics, and Reflections. “Analytics” offers four distinct theoretical excursions into the organization and motivations behind the phenomenon of hybrid rule. These different perspectives serve to entice scholars to research these developments from their unique vantage points. Together we hope and expect that the kaleidoscope of viewpoints sheds colorful bright lights on the seemingly opaque and complicated dynamics of hybrid rule. In the first chapter in this section, “Bringing Politics Back In,” Shelley L. Hurt and Ronnie D. Lipschutz argue for a more detailed examination and account of the rise of privatization and hybrid rule to develop a set of *political* arguments and explanations for these phenomena. This examination provides the cornerstone for the volume’s inspiration while not detracting from the equally valuable contributions and insights of the other three chapters in the “Analytics” section, which all aim to frame this new research agenda surrounding hybrid rule in particular ways. We do not doubt that many will disagree with and attack our propositions and arguments (indeed, we hope that is the case). Some will point to historical precedents for hybrid rule (e.g. royal patents and monopolies) and minor quibbles (e.g. the notional division between public

and private). Others will prioritize the economic side of the equation. Anticipating such criticisms, we note in Chapter 1, with a few exceptions, we prefer that the focus on hybrid rule centers on the post-World War II period and, especially, the past 40 years in the American context. We concede that accumulation is important, but it is part of hybrid rule and not driven merely by capital and capitalism. And while the boundary between “public” and “private” has always been problematic, that history is not a major concern here.

Chapter One argues that hybrid rule’s historical origins lay squarely in the legitimacy crisis of the 1960s when three concurrent developments caused U.S. political elites to turn to the private sector for cover once public authority became increasingly contested. This chapter by Hurt and Lipschutz put forth their explanation for why privatization policies became a priority for America’s political elites during this tumultuous period in American history. The growing reliance on and valorization of the private sector provided political elites with an alibi, so to speak, in both domestic and international fora. Hence, the chapter explores the evolution of an elite counterattack, which the Nixon administration initiated and then unfolded throughout the 1970s, cementing a new privatization doctrine in policies and ideas that would persist and accelerate for decades to come. Consequently, Chapter One situates the rise of hybrid rule within the domain of political elites in a concrete time and space, suggesting that the dominant economic explanations for the rise of privatization fail to take political and national security considerations into account.

In Neumann and Sending’s Chapter 2, they propose that hybridization can only exist in Western societies where the separation of the political and economic became an exercise of “boundary drawings” by the powerful. Hence, these authors stress along constructivist lines that “a relational understanding of the social” reflects the larger theoretical point that boundaries constitute entities in the first place and not the other way around. Their chapter highlights the weak Western understanding of the state in contrast with Russian state formation, which penetrated every crevice of society, deepening individuals’ interaction with and understanding of the state in modern life. These authors’ case study of the Russian experience enables them to take a longer historical view of the public–private divide that animates debates in the West but remains meaningless in much of the East. A core insight of this valuable chapter notes that state formation developed from normative to sedentary politics, reshaping political behavior and sensibilities toward passivity in contemporary times.

In Chapter 3, Hibou retains the historical timeline proposed in Chapter One while advancing a novel aspect of privatization that remains obscured from public view. Her chapter recognizes that hybrid rule is a political project whose goal is to restore or enhance state authority and sovereignty through the practice of private sector delegation; however, she explores the concept of “neoliberal bureaucratization” to show that hybrid rule operates through various societal intermediaries that are not directly related to the state.