MONASH UNIVERSITY

THESIS ACCEPTED IN SATISFACTION OF THE
REQUIREMENTS FOR THE DEGREE OF
DOCTOR OF PHILOSOPHY

ON ..... 6 December 2002 .....

.....[redacted].....

Sec. Research Graduate School Committee

ERRATA

p 3 fn 7 Anthony not Andrew and elsewhere throughout footnotes.
p 24 line 5 replace "determined" with "determine"
p 59 2nd paragraph, line 2 insert "to" between "attempting" and "reconstitute"
p 60 line 9 insert "the" in-between "of" and "control"
p 83 line 3 lower case "in"
p 83 line 13 replace "resolve" with "be resolved"
p 121 last line replace "is" with "are"
p 123 para 2 line 3 insert "are" before "confronted"
p 124 line 25 replace "beheld" with "maintained"
p 150 line 7 delete ?
p 153 line 7 insert "the" before "one"
p 154 line 18 replace "at" with "to" before "act"
p 161 fn 7 replace "congress" with "Congress"
p 166 line 21 full stop after US
p 183 line 1 delete "makes"
p 183 line 11 insert "the" before "national"
p 184 line 26 insert "a" before "common"
p 194 line 7 insert "problem" before "stemming"
p 237 line 6 insert "of" before "global"
p 239 line 17 replace "republicanism" with "republican"
p 239 line 21 replace "to" with "of" before "the good"
p 241 line 19 insert "of" before "not"
p 241 line 22 replace "*Democracy's Values*" with "*Democracy's Value*"
p 246 fn 52 line 6 delete second "been"
p 250 line 25 insert "with" in-between "dealt" and 'at"
p 265 line 19 insert "a" in between "be" and "duty"
p 269 line 29 delete second "is"
p 270 line 1 insert "to" in-between "able" and "extend"

Public Power in a Global Age

A Critical Analysis of Liberal Governance

Steven Slaughter

Steven Slaughter

Bachelor of Arts (Hons.), Monash University; Postgrad. Dip. Public Policy, Murdoch University.

School of Political and Social Inquiry
Monash University

Submitted June 2002

Table of Contents

Abstract

This dissertation is an examination of the ethical praxis of contemporary government within a context of global politics shaped by neo-liberalism and economic globalisation. The central question of my dissertation is whether liberal forms of governance are likely to mediate the adverse social consequences of economic globalisation. I examine this question in three parts. In the first part I examine the notion of globalisation and argue that contemporary globalisation is decisively shaped by neo-liberal ideas and social forces. This observation, connected to the significant array of adverse social effects of economic globalisation, opens up questions as to how governance can be enacted within this context in a way that interacts with the practical liberal need to provide stability and legitimacy. In the second part I examine contemporary liberal approaches to governance by critically examining a series of liberal texts that pose an argument for governance within a globalising context. Finding these contemporary liberal arguments insufficient to the task of a practical and socially responsible regulation of capitalism, the third part of the dissertation advocates an alternative approach that stems from the neo-roman republican tradition of political theory. This argument provides a rationale for a purposive and delimited intervention by states into economic activity on a global basis, based on the need to provide protection from economic vulnerability and thereby to constitute a resilient form of liberty.

Author's Declaration

I declare that except with the committee's approval this dissertation contains no material which has been accepted for the award of any other degree or diploma in any university or other institution and affirms that to the best of my knowledge, the thesis contains no material previously published or written by another person, except where due reference is made in the text of the thesis.

[redacted]

14/06/02

Acknowledgments

The process of writing this dissertation has incurred many debts. First, I would like to thank Alastair Davidson, my original supervisor, for laying some seeds that were long to take root. I would also like to thank my PhD confirmation committee that consisted of Alastair, Paul James, Chris Reus-Smit, Geoff Spencely and Chris Ingham, for their sagacious advice. Nonetheless, my utmost gratitude goes to Robyn Eckersley who became my supervisor in early 2000. Without Robyn's enthusiasm, astute criticism and moral support I truly doubt that this dissertation would have been completed at all.

Also, I wish to thank the following friends and colleagues who provided valuable assistance with advice and comments: Gabriel Hodgson, Darshan Vigneswaran, Chris Scanlon, Paul Pretor, Zoe Knox and Yvette Slaughter. I would also like to thank the participants of conferences that helped sharpen some of my ideas relating to globalisation and political theory. In particular I thank those who attended the workshop "The nation-state and the ecological crisis: sovereignty, economy and ecology" at the European Consortium for Political Research Annual Joint Sessions Grenoble, France April 6-11, 2001. I would also like to thank the Australian European University Institute Fellowships Association for the support that made it possible for me to study at the European University Institute during the winter of 2000-1. Studying in Florence provided a truly apposite setting to draft the republican inspired basis of the final two chapters of the dissertation.

I also benefited immensely from the moral support of my friends. In particular I thank Gabriel and Zoe for the support and belief they have bestowed upon me. A special expression of gratitude goes to Yvette for the love and reassuring influence she exuded in the arduous last year of this dissertation.

I have also relied heavily upon my family, especially my mother and father, for supporting me on this long and difficult endeavour. I am sure they would agree that I embraced the love of education that they inculcated in me far further than they intended. Nevertheless, I express my gratitude for all their love and support over the years.

Lastly, I wish dedicate this dissertation to my late friend Jolyon Campbell. I miss his humorous but astute advice and the endless impenetrable conservations we had whenever we could.

Sections of Chapter 1 and 2 have previously appeared in "The State in an Era of Shadowy Governance" in S Kenny, M Muetzelfeldt and R van Krieken (eds.) *Civilising the State: Conference Proceedings* (Centre for Citizenship and Human Rights: 2000).

Sections of Chapter 7 have previously appeared in "The Republican State: An Alternative Foundation for Global Environmental Governance" in J Barry and R Eckersley (eds.), The State and the Global Ecological Crisis (Cambridge, Mass, MIT Press, Forthcoming)

It is not with forms of government, as with other artificial contrivances; where an old engine may be rejected, if we can discover another more accurate and commodious, or where trials may safely be made, even though the success be doubtful. An established government has an infinite advantage, by that very circumstance of its being established; the bulk of mankind being governed by authority, not reason, and never attributing authority to any thing that has not the recommendation of antiquity. To tamper, therefore, in this affair, or try experiments merely upon the credit of supposed argument and philosophy, can never be the part of a wise magistrate, who will bear a reverence to what carries the marks of age; and though he may attempt some improvements for the public good, yet will he adjust his innovations, as much as possible, to the ancient fabric, and preserve entire the chief pillars and supports of the constitution.

- David Hume "Idea of a Perfect Commonwealth"

INTRODUCTION

At the turn of the twenty first century the relationship between globalisation and global inequality stands as a pivotal issue in global politics. The acceleration of inequality and insecurity associated with contemporary globalisation has attracted significant public and scholarly debate. The United Nations Millennium Declaration stated that "while globalization offers great opportunities, at present its benefits are very unevenly shared, while its costs are unevenly distributed".[1] Furthermore, a recent United Nations report indicated that the

> faith in the ability of unregulated markets to provide the best possible environment for human development has gone too far. Too great a reliance on the "invisible hand" of the market is pushing the world toward unsustainable levels of inequality and deprivation. A new balance between public and private interests must be found.[2]

Clearly, the social impact of globalisation is a controversial political question because while some private interests benefit from the world being organised in a deregulated fashion, there are many others facing deprivation. Indeed, the very nature and existence of contemporary globalisation is controversial. While the world has been moving towards becoming a 'single place' for many centuries,[3] the significance of the contemporary image of a deregulated global economy or economic globalisation is a subject of intense scholarly debate.[4] The relationship between inequality and insecurity with respect to the existence and significance of economic globalisation has profound practical and ethical implications for the policy-making of governments and international agencies. Contemporary globalisation also poses significant challenges to contemporary political thought, particularly that of liberalism.

Liberalism is important to the operation of contemporary globalisation for two reasons. In one sense liberalism can be seen to support economic globalisation because liberalism, especially in the form of neo-liberalism, is an ascendant discourse and practice in contemporary global politics. Neo-liberalism in particular encapsulates a value system that privileges non-interference in economic affairs, thereby promoting entrepreneurialism,

---

[1] United Nations Millennium Declaration, Draft resolution referred by the General Assembly at its fifty-fourth session September 18, 2000, Section I. 5.
[2] UNRISD, *Visible Hands: Taking Responsibility for Social Development* (Geneva, UNRISD, 2000), p. viii.
[3] See David Held, et al, *Global Transformations* (Cambridge, Polity Press, 1999)
[4] In this dissertation the terms *economic globalisation*, neo-liberal globalisation and global capitalism are used interchangeably to stress the changing organisation of political economic activity. The term *globalisation*, in contrast, refers to a long-term spatial process of increasing global interconnectedness.

capitalism and material dividends. However, in another sense economic globalisation challenges liberalism. On one level, there are practical problems with contemporary globalisation that liberalism must address, including the basic provision of order and stability. On another, there are differing accounts of liberalism as well as ethical tensions between the liberal promotion of individual liberty and the social realities of contemporary globalisation.

While these practical and ethical problems are entwined, the central question that this dissertation sets out to examine is whether liberals can govern within the context of economic globalisation in a way that promotes liberty and moderates the rising social dislocation associated with this form of economic organisation. While solutions to the social problems stemming from economic globalisation will require working at global levels of governance, can this be done without the state? In examining various liberal arguments, this dissertation seeks to critically evaluate the potential of liberalism to address the harmful social aspects of economic globalisation, as well as to contribute to the larger debates of how governance should be conducted within the context of contemporary globalisation. Central to this examination is an interrogation of the appropriate role of the state.

Governance and Ethics

The questions posed in this dissertation are normative questions revolving around the theory and practice of liberal governance. The nature of normative reflection on global politics has changed significantly over time. While there has long been scholarly reflection on the issues of war and peace, scholarly activity has also focused on distributive justice and human rights.[5] More recently, normative reflection has widened further still to include issues of environmental ethics and "transnational harm" as well as the nature of political community and moral obligation in a world where states increasingly affect each other.[6] Another development in normative reflection has been the ethical examination of the aims and means of governance, that is, the ethical defensibility of the ways in which various actors administer their common affairs by establishing institutional procedures and agencies. This entails normative reflection on political arrangements within and between states, including the nature

[5] Charles Beitz, *Political Theory and International Relations* (Princeton, Princeton University Press, 1979)
[6] Andrew Linklater, "The Evolving Spheres of International Justice', *International Affairs*, Vol. 75, No. 3, 1999, p. 474. See also Nicholas Rengger, "Political Theory and International Relations: Promised Land or Exit From Eden" *International Affairs* Vol. 76, No. 4, October 2000.

and future potential of democracy within globalisation.[7] It is this dimension of ethical reflection that this dissertation is engaged in. But rather than examining particular institutions or particular issue areas, I consider the ethical composition of different liberal accounts. Essentially I am examining different accounts of what constitutes 'good government' in theory and practice for particular groups of liberal authors.

Good government or governance rests on the idea that government ought to be animated by a desired purpose.[8] Scholars have made this observation in many ways. Most famously there is Aristotle's elucidation that

> observation tells us that every state is an association, and that every association is formed with a view to some good purpose. I say 'good', because in all their actions all men do in fact aim at what they think good.[9]

David Hume considered that humans maintained society "from natural inclination, and from habit" but also engaged in the establishment of "political society, in order to administer justice".[10] Hume claims that we should "look upon all the vast apparatus of our government, as having ultimately no other objective or purpose but the distribution of justice".[11] More recently, John Rawls insisted that "justice is the first virtue of social institutions".[12] Even though these scholars concur that government is instituted on moral foundations, they differ as to what purpose government ought to fulfil. Thus good governance can be understood in an *ontological sense* in that existing forms of governance can be conceived as an institutional infrastructure shaped by an assemblage of prevailing ethics and norms. But such an assembly is always contested. There exist alternative visions of what government ought to do in a *normative sense*. Naturally actual conceptions of good government rest on "moral purpose" and

---

[7] Andrew McGrew, "Globalization and Territorial Democracy: an Introduction" in Andrew McGrew (ed.), *The Transformation of Democracy* (Cambridge, The Open University, 1997), Andrew McGrew, "Democracy Beyond Borders? Globalization and the Reconstruction of Democratic Theory and Politics" in Andrew McGrew (ed.), *The Transformation of Democracy* (Cambridge, The Open University, 1997), and David Held, *Democracy and the Global Order* (Cambridge, Polity Press, 1995)

[8] The terms good government or governance are used interchangeably despite the difference between government (resting on authority) and governance (resting on co-operation). For further discussion on the difference between these terms see James Rosenau and Ernst Czempiel (eds.), *Governance without Government: Order and Change in World Politics* (Cambridge, Cambridge University Press, 1992)

[9] Aristotle, *The Politics* (Harmondsworth, Penguin, 1986), p. 54.

[10] David Hume, "Of the Origin of Government" in Knud Haakonssen (ed.), *David Hume: Political Essays* (Cambridge, Cambridge University Press, 1994), p. 20.

[11] Hume, "Of the Origin of Government", p. 20.

[12] John Rawls, *A Theory of Justice* (Oxford, Oxford University Press, 1972), p. 3.

inter-subjective beliefs at particular junctures of history,[13] as well as particular interests held by different political authors and agents. Hence, understandings of good government comprise both ethics that have been *actually* institutionalised and those ethics that, although held by some people as a *potential* form of government, have not been institutionalised in actual practice.

In terms of the ethics that have been institutionalised within the context of economic globalisation, it is neo-liberalism that has decisively shaped the purpose of the government in many parts of the world. Neo-liberalism has also been influential in the constitution of international agreements and agencies. A central concern of this dissertation is the social effects wrought by this type of governance. While relationships between government and the social effects it enables or produces are often oblique, Ambrogio Lorenzetti's murals of the "Allegory of Good Government" and the "Allegory of Bad Government" within the Palazzo Publico in Siena still serve as powerful pictorial expressions of the relationship between ethics and government. These fourteenth century depictions can be interpreted as a visual demonstration that the practice or theory of government can be understood by the values that inform government.[14] Yet these depictions extend around the walls of the Palazzo Publico to include and encompass the murals of the "Effects of Good Government in the City and in the Countryside" and the "Effects of Bad Government in the City and in the Countryside". In doing so Lorenzetti draws a direct link between the virtues and vices that surround the artistic depictions of good and bad governments to the harmony and vigour of the people in the former and the discord and suffering of the latter. While understanding the practice of government requires examining the ethics that inform government, forms of government can only be judged by the social consequences that they produce or allow.

This inquiry's praxeological examination of the social consequences of governance informed by neo-liberalism works within the analytical frameworks of "critical theory" and "critical political economy" as advanced by Robert Cox.[15] The methodological and epistemological basis of this theory explains the historical and social construction of market systems and

---

[13] Christian Reus-Smit, *The Moral Purpose of the State* (Princeton, Princeton University Press, 1999), chp 2.
[14] Christian Reus-Smit, *The Moral Purpose of the State*, p. 155. See Quentin Skinner, "Ambrogio Lorenzetti as Political Philosopher" *Proceedings of the British Academy*, 72, 1986.
[15] Robert Cox distinguishes his articulation of critical theory from Frankfurt School approaches. See, Robert Cox, "Critical Political Economy" in Bjorn Hettne (ed.), *International Political Economy; Understanding Global Disorder* (Halifax, Fenwood, 1995) and Stephen Gill, "Transformation and Innovation in the Study of World Politics" in Stephen Gill, and James Mittleman (eds.), *Innovation and Transformation in International Studies* (Cambridge, Cambridge University Press, 1997)

governance as well as the relationship between political and economic change. In mainstream "problem-solving" theories of governance,[16] the aim is to understand the "statesman" and in order to do so "we look over his shoulder when he writes his dispatches; we listen in on his conversation with other statesmen (sic)".[17] *By contrast critical theory as it relates to the social task of governance seeks to understand why statespeople or other decision-makers act as they do by understanding the material, institutional and ideational conditions that shape their actions.* But such theory seeks not just to explain how the agents and structures interrelate. *Critical theory seeks to understand how existing orders can be transformed*: Cox suggests that "critical theory can be a guide to strategic action for bringing about an alternative order, whereas problem-solving theory is a guide to tactical actions which, intended or unintended, sustain the existing order".[18]

A critical understanding of the prevailing order within global politics rests on four crucial dimensions of political observation. First, a critical analysis of political affairs is only possible within a world-wide context that departs from the assumptions prevalent within International Relations theory, which assert that states are the only significant political actors and that a divide exists between international politics and domestic politics.[19] By contrast, global politics is construed as a "diffuse picture" of political arrangements "that persist at national, international, and global levels".[20] Second, critical political analysis is only possible if political and economic processes are understood in an interrelated sense that examines the construction of the global political economy.[21] Third, understanding global politics requires a historical understanding of the material, institutional and ideational arrangements that inform the present actions and ideas of agents across the world and the creation of institutions within and between states.[22] Last, stemming from the previous dimensions, the distribution and relationships of power are central to any political analysis that endeavours to comprehend and reflect on global politics. Power can be understood in Machiavelli's representation of the centaur, that is "half beast and half man",[23] in the sense that there are "levels of force and consent, authority and hegemony, violence and civilisation, of the individual moment and of

---

[16] Robert Cox (with Sinclair, Timothy) *Approaches to World Order* (Cambridge, Cambridge University Press, 1996), p. 88.
[17] Hans Morgenthau, *Politics Among Nations* Fifth Edition (New York, Alfred Knopf, 1973), p. 5.
[18] Cox, *Approaches to World Order*, p. 90.
[19] Stephen Gill and David Law, *The Global Political Economy* (New York, Harvester, 1988), p. xx-xxiii.
[20] Jurgen Habermas, *The Postnational Constellation* (Cambridge, Polity Press, 2001), p. 110.
[21] Gill and Law, *The Global Political Economy*, p. xviii-xx and Stephen Gill, "Gramsci and Global Politics: Towards a Post-Hegemonic Research Agenda" in Stephen Gill (ed.), *Gramsci, Historical Materialism and International Relations* (Cambridge, Cambridge University Press, 1993)
[22] Gill, "Gramsci and Global Politics: Towards a Post-Hegemonic Research Agenda" and Reus-Smit, *The Moral Purpose of the State*
[23] Niccoló, Machiavelli, *The Prince*, tr. Bull, George (London, Penguin Books, 1981), p. 99.

the universal moment" within political life.[24] However, power must also be understood not just as the direction of human volition on one occasion, or in a more systematic-structural context, but also as a "productive network" that encompasses potentially beneficial aspects of life.[25] Emphasising the existence, purposes and effects of power is central to a critical understanding of governance within the context of global politics.

The State and Liberalism

The state continues to be central to the practice of governance within global politics. While I depart from the International Relations orthodoxy that the state is the *only* important actor in global politics, the state nevertheless remains a crucial site of power and legitimacy. The state is a territorial organisation defined by the juridical right and actual capacity to uphold "internal" sovereignty (legitimate and supreme rule within its territory) and be recognised by other states to have "external" sovereignty (autonomy from other states' intervention).[26] The power of the state derives from monopolies that the state holds in regards to the legitimate use of force, the right of taxation, and the authority to make law including the right to bind the state and society to international treaties and arrangements.[27] The state is also shaped by other, more particular, elements that constitute the actual operation of a state. These include the substantial role that the state plays in the formulation of the identity of its population, the role that the state plays in economic regulation and social development, and the institutional arrangement of a state that can vary between federalism and a highly centralised state. While the nation-state is defined by the fusion of territorial sovereignty to political community,[28] the nation-state is a system of rule that demonstrates considerable variation in both historical and cultural terms.

The state's role in economic regulation has clearly neither been a static practice or one determined solely by factors internal to the state. Economic regulation has a long history of being decisively shaped by hegemonic states acting in negotiation with other states. Nevertheless, there has been a significant shift from the post World War II arrangement of the Bretton Woods system, and the consensus on "embedded liberalism" within Western

[24] Antonio Gramsci, *Selections From the Prison Notebooks* edited by Quintin Hoare and Geoffrey Smith (New York, International Publishers, 1999[1971]), p. 170.
[25] Michel Foucault, *Power/Knowledge* (Harvester Press, Brighton, 1980), p. 119.
[26] Hedley Bull, *The Anarchical Society* Second Edition (London, Macmillan Press, 1995 [1977]), p. 8.
[27] Andrew Linklater, "Citizenship and Sovereignty in the Post-Westphalian European State", in Daniele Archibugi, et al. (eds.), *Re-Imagining Political Community*, (Cambridge, Polity, 1998), pp. 118-20. See also Gianfranco Poggi, *The State* (Stanford, Stanford University Press, 1990), chp 2.
[28] Ernest Gellner, *Nations and Nationalism* (Ithaca, Cornell University Press, 1983)

societies, towards the ideas of market driven neo-liberalism.[29] The objectives of welfare provision, a progressive taxation system and an active government role in markets have been arguably overshadowed by neo-liberal and conservative aims of a minimal state and an absolute confidence in free markets. However, neo-liberal forms of governance, evident in policies of deregulation and privatisation, face problems of sustaining capitalism into the twenty first century because of the social dislocation that stems from the organisation of economic activity across state borders in a deregulated fashion. This means that neo-liberalism is increasingly being challenged as a viable approach to governance by people protesting against economic globalisation and by scholars both sympathetic and hostile to the underlying rationale of liberalism.

Central to this dissertation is the relationship between liberalism as an actual practice of governance and the philosophical aspirations of liberalism. While liberalism is a multifaceted philosophy that "resists sharp definition", its core values revolve around the importance of the individual and a minimisation of government restraints on individuals.[30] The principle of equal liberty is based on the belief that each and every adult human is best able to determine their own preferred life without interference from others.[31] According to the various derivations of liberalism, individuals are posited as possessing equal liberty that is universal across the human species, according only "a secondary importance to specific historic associations and cultural forms".[32] This understanding is also reflected in the liberal norm of *non-interference* – the ideal that the state ought not restrain individuals except when such restraint would prevent greater restrictions on individual choice and action.[33] This norm can also be understood in the terms of "negative liberty" and paves the way for individuals to act on their individual interests, with law imposing minimal restraints so that they may maximise their interests.[34] On this view, "law is always a 'fetter', even if it protects you from being bound in chains that are heavier than those of the law, say arbitrary despotism or chaos".[35] These values have been instantiated, in the Western world at least, in a set of institutions that include a sovereign state based upon a representative democracy and constitutionalism.

---

[29] John Ruggie, "At Home Abroad, Abroad at Home: International Liberalism and Domestic Stability in the New World Economy", *Millennium*, Vol. 24, No. 3, 1994 and "International Regimes, Transactions, and Change: Embedded Liberalism in the Post War Period" *International Organisation* 36, 2, Spring 1982.
[30] James Richardson, *Contending Liberalisms in World Politics: Ideology and Power* (Boulder, Lynne Rienner, 2001), p. 17.
[31] Jean Hampton, *Political Philosophy* (Boulder, Westview Press, 1997), pp. 177-8.
[32] John Gray, *Liberalism* Second Edition (Buckingham, Open University Press, 1995), p. xii.
[33] Philip Pettit, *Republicanism* (London, Oxford, 1999), pp. 40-3.
[34] Pettit, *Republicanism*, pp. 17-8.
[35] Isiah Berlin, *Two Concepts of Liberty* (Oxford, Oxford University Press, 1958), p. 8.

The influence of liberalism in the Western world and beyond is not limited to a certain type of state. Indeed, liberalism is at the centre of modernity and the expanding recognition of human rights.[36] Moreover, liberalism has a close and enduring relationship with capitalism. Liberals have confidence in the long-term benefits of capitalism despite differences with regards to the policies needed to correct market imperfections and to enable the efficiencies associated with "technological advance and... self-maximising decisions of private actors".[37] Liberalism also has an influential effect on international politics, most significantly, it has rejected "power politics" in favour of efforts to "reconstruct international relations along new, peaceful lines", which has included a support for "disarmament, the 'rule of law', arbitration and... international organisation".[38] The international aspect of liberal thought was driven not just by the moral sensibility of liberalism but also by the practical concern to develop an international context that will create a predictable order needed for capitalism to operate.[39] Ultimately, the broad approach of liberalism aspires to equal liberty, order and stability as well as expanding prosperity.

Given the social dislocation and inequality evident within contemporary globalisation, the key question facing liberalism is how governance can promote liberal aspirations within this unfolding context. It seems that liberalism is caught between the social reality of economic globalisation and a theory that aspires to develop improved global circumstances. Deeply embedded in liberalism is the notion of progress and the melioration of institutions – the belief that social and political life can be fashioned towards equal liberty.[40] Thus, while liberals recognise that there may be short-term social dislocation, they are confident about the long-term effect of free markets and the ability of human reason to develop institutions to constrain social outcomes that adversely affect human liberty and welfare. In the meantime, at least, Andrew Hurrell and Ngaire Woods indicate that three tensions exist between liberalism and globalisation.[41] The first key problem for liberals is the future role of the state within economic globalisation. Liberals are divided between those who see the state as ineffectual and those who see the state as crucial to the management of economic globalisation. The second key problem is how liberals can "balance economic objectives and market liberalisation

[36] Jack Donnelly, "Human Rights: a New Standard of Civilisation?" *International Affairs* Vol. 74, No. 1, 1998.
[37] Andrew Hurrell and Ngaire Woods, "Globalisation and Inequality", *Millennium*, Vol. 24, No. 3, 1995, p. 448.
[38] James Richardson, *Contending Liberalisms: Past and Present* (Working Paper No.1995/10, Australian National University, Dept. of International Relations, 1995), p. 14.
[39] Craig Murphy, *International Organisation and Industrial Change* (Cambridge, Polity Press, 1994)
[40] Gray, *Liberalism*, p. xii.
[41] Hurrell and Woods, "Globalisation and Inequality", p. 453.

with liberal political and social goals" that include addressing poverty and inequality.[42] The third problem is that of the global management of economic globalisation in relation to the "dynamics of liberal progress" in a world divided between a "cohesive, prosperous, and peaceful bloc of liberal states and the instability and chaos of the rest of the world".[43]

Clearly, there are many dimensions to the contemporary debate of how liberalism ought to operate in the context of globalisation. This dissertation concentrates on the first and second of the problems indicated by Hurrell and Woods. As Richard Falk inquires: "*how can the state be pulled back from its current tilt towards market-driven globalism, and led to manifest a greater degree of receptivity towards people-driven globalism, thereby over time achieving a new political stasis that supports the kind of institutional and legal superstructure that could underpin humane governance for the planet*"?[44] This dissertation explores this contention by examining three questions:

(1) What is economic globalisation and how does this condition relate to liberal thought and practice?

(2) How do liberal alternatives to neo-liberalism seek to govern within the condition of economic globalisation?

(3) How important is the state to governance that endeavours to both promote liberty *and* moderate the social problems of economic globalisation?

The three parts of this dissertation seek to answer these three questions in succession.

This dissertation argues that mediating the adverse social effects of the unfolding order of global capitalism *requires* a restored state. Such a state entails the movement away from market-based instrumentalism towards an ethos that promotes individual security and balances prosperity, liberty and social stability. This balance is not presently possible because many states are enmeshed within economic globalisation. Many states are now dominated by the idea of the "competition state" and operate in the interest of opening up their respective

[42] Hurrell and Woods, "Globalisation and Inequality", p. 454.
[43] Hurrell, and Woods, "Globalisation and Inequality", p. 454.
[44] Richard Falk, "An Inquiry into the Political Economy of World Order", *New Political Economy*, Vol. 1, No. 1, 1996, p. 16. Italics in original.

societies to global capitalism.[45] It is my argument that if economic globalisation is to be mediated the state must take a 'republican turn' and be redirected from its unconditional support of economic globalisation towards the provision of security and liberty of its citizens.

Republican thought provides the basis of my critique of liberal governance and of an alternative articulation of good government within the context of globalisation. The neo-roman interpretation of republicanism is not a utopian strand of political thought and it is not a form of populism or communitarianism.[46] Rather, the interpretation drawn here of republicanism offers a pragmatic approach to the development of governance that rests with the state to enable liberty and security by an institutional design that constrains arbitrary power. Republicanism does not seek a transformation in human nature but rather endeavours to reframe existing institutions within the logic of restraining power in order to promote individual liberty secured from various forms of domination. This political arrangement fits within Cox's observation that "critical theory allows for normative choice" but "it limits the range of choice to alternative orders which are feasible transformations of the existing world".[47] The interpretation I draw of republicanism is feasible. It does not argue for autocratic states or the end of capitalism; rather it argues for a regulation of capitalism that protects individuals from powerful private interests and the worst vulnerabilities that stem from unrestrained capitalism. Republicanism provides a compelling argument that a secure form of liberty is only possible through the state and other forms of institutionalisation which entrench the ability of people to contest power that would otherwise subject them. Ultimately, "republicanism is a kaleidoscope of institutions" united by the purpose of preventing the domination of people by public or private sources.[48] In a context of contemporary globalisation this republican purpose of institution building must *rest on* the existing foundation of the state but cannot *remain only* on the state.

The Outline of the Argument

The argument of this dissertation is focused on the ethical and discursive nature of the practices of neo-liberalism and the arguments of liberal observers responding to those

---

[45] Phillip Cerny, "What Next For the State?" in Eleonore Kofman and Gillian Youngs, *Globalisation: Theory and Practice* (London, Pinter, 1996) and Stephen Gill, "Global Structural Change and Multilateralism" in Stephen Gill (ed.), *Globalisation, Democratisation and Multilateralism* (Basingstoke, Macmillan, 1997)
[46] Pettit, *Republicanism*, p. 8.
[47] Cox, *Approaches to World Order*, p.90.
[48] William Everdell, *The End of Kings* (New York, The Free Press, 1983), p. 13.

practices of governance. This dissertation is not a detailed criticism of particular institutions such as the World Bank. Nor is it a detailed criticism of liberalism as a political philosophy. My efforts are focused on the ideational and ethical justification of neo-liberalism as a practice and the alternatives that are proffered within liberal circles. My goal is to critique liberalism as an approach to governance within the context of contemporary globalisation and provide the core ideas of a political alternative to neo-liberalism. There are three parts to this argument.

Part I of this dissertation contends that economic globalisation is an emerging reality. While the world has been moving towards being a single place in many dimensions since the onset of modernity, the acceleration and deepening of global processes since the 1960s and 1970s has largely been conditioned by the influence of capital. This is because the conditions for capitalism in the Western world during this time were in crisis.[49] This 'crisis' and its resolution are explored in Chapter 1. This expansion and transformation of capitalism is inseparable from the development of informational technology, the re-configuration of political institutions and the deregulation of economic policy. This means that rather than being an inevitable monolithic economic force, economic globalisation is a contingent process of social change engaging material, normative and institutional elements that constitute a new world order – a social formation defined by the social forces that predominate.[50] Chapter 2 outlines the practices of governance that animate this world order. I maintain that these social practices are underpinned by an emerging normative sensibility that provides a significant constitutive influence over government best referred to as *neo-liberal governance*. This ethos develops the ethico-political framework of market driven liberalism that involves international arrangements and agencies as well as nation-states that combine a sense of national community with the instrumental liberalisation and deregulation of markets. This world order establishes the organisation of economic life that leads to the world operating as a single deregulated space in real time.

Chapter 3 contends that neo-liberal governance faces a variety of problems. These difficulties arise from the ways in which neo-liberal governance allows economic globalisation to usher in processes of social restructuring that have profound social effects across the world. These effects include increasing inequality and considerable vulnerability around the world. This

[49] Manuel Castells and Jeffrey Henderson, "Techno-economic Restructuring, Socio-political Processes and Spatial Transformation: a Global Perspective" in Jeffrey Henderson and Manuel Castells (eds.), *Global Restructuring and Territorial Development* (London, Sage, 1987)
[50] Gill, "Transformation and Innovation in the Study of World Politics", p. 15.

chapter argues that these consequences represent two challenges to liberal values and effective liberal governance. First, the social changes that stem from the development of global capitalism are significant in extent and directly confront the liberal development of equal liberty. Second, neo-liberal governance at a national and global level is seemingly unable to act upon the emergent social problems or attempt to "square the circle" of prosperity, social stability and liberty, thereby undermining the legitimacy nested within the nation-state.[51] The key question facing liberals is whether there can be a reassertion of representative government that acts as a foil for global capitalism. What sort of public sentiment or ethic is required?

Part II examines three alternative liberal prescriptions to neo-liberal governance. In Chapter 4 I examine what I refer to as *extended neo-liberalism*, which proposes that democratic nation-states impede the proper and efficient functioning of capitalism and individualism. The proposal of the Multilateral Agreement on Investment (MAI) and the arguments of Kenichi Ohmae are examples of liberal prescriptions that extend neo-liberalism by further weakening the practice of the nation-state. Chapter 5 examines what I refer to as *contractual nationalism*, a program of action that makes a case for democracy within a liberal conception of the nation. Robert Reich and Will Hutton are contemporary writers who have defended this line of argument, which is consistent with the developing notion of the 'Third Way'. Chapter 6 examines *cosmopolitan governance*, which argues for a global system of democracy and decision making to enhance individual autonomy. I examine the arguments of David Held and Richard Falk who have furnished well-developed liberal arguments of this alternative form of governance.

Part III argues that these liberal alternatives of governance fall considerably short of a program of action that will achieve a form of governance that successfully promotes liberty and addresses the adverse social effects of economic globalisation. Chapter 7 argues that the only feasible means to moderate the adverse social impact of economic globalisation is by a 'civic' state that establishes and institutionalises a republican ethos that reconnects the individual and the state. The approach to governance articulated in this dissertation is termed *global civic republicanism* because it seeks a civic liberty achieved only within the state that in turn is only possible in a global context that enables such civic states to exist. As such this chapter outlines the scholarly resources that support the idea of the civic state, namely, the neo-roman

[51] Ralf Dahrendorf, "Economic Opportunity, Civil Society and Political Liberty" in Cynthia Hewitt de Alcantra (ed.), *Social Futures, Global Visions* (Oxford, UNRISD and Blackwell, 1996), p. 23.

strand of republicanism as delineated by Quentin Skinner, Philip Pettit and Richard Bellamy.[52] Furthermore, this chapter examines the "legacy" of republican ideas in world politics and sketches the global context of association and governance required for civic states to be possible.[53] The aim of global civic republicanism is the republican inspired goal of non-domination; to construct a world where people "live in the presence of people but at the mercy of none".[54] I endeavour to develop this sense of security in respect to the social impact of economic globalisation.

Global civic republicanism is an approach to governance that finds economic globalisation indefensible and the political task of constructing liberty within a world of democratic states a necessary and feasible endeavour. The aim of global civic republicanism is to unravel the mutually supporting structures of economic globalisation and the neo-liberal competition state and, in their place, construct a joint democratic regulation of the world economy by a world of states underpinned and enmeshed within a republican framework of norms and laws. The primary objective of these laws is a condition of non-domination: a circumstance where people's liberty is not compromised by arbitrary power or avoidable vulnerability – including the unrestrained power inherent in the actors and frameworks of global capitalism, as well as the social insecurity stemming from this deregulated economic system. Ultimately the practice of a 'civic' state is only possible if citizens think within a global context and direct their states to enforce a global agreement that allows the public regulation of the global economy and other issues that create flows of power that can only be adequately addressed by global co-operation. Global civic republicanism is an approach to governing that demands public responsibility for global politics both through the state and beyond the state without engaging in cosmopolitan universalism.

Chapter 8 concludes the dissertation by further explaining *why* global civic republicanism is superior to the alternative approaches to liberal governance outlined in Part II. While neo-liberalism is being challenged by arguments for new values and forms of global governance that are consistent with liberalism, this chapter concludes that the insufficiency of liberal governance within economic globalisation stems from the limited liberal understanding of the

---

[52] Richard Bellamy, *Liberalism and Modern Society* (Pennsylvania, Pennsylvania State University Press, 1992), *Liberalism and Pluralism* (London, Routledge, 1999) and *Rethinking Liberalism* (London, Pinter, 2000), Pettit, *Republicanism*, Quentin Skinner, "On Justice, the Common Good and the Priority of Liberty" in Mouffe, Chantal, *Dimensions of Radical Democracy* (London, Verso, 1992) and *Liberty Before Liberalism* (Cambridge, Cambridge University Press, 1998)
[53] Nicholas Onuf, *The Republican Legacy in International Thought* (Cambridge, Cambridge University Press, 1998)
[54] Pettit, *Republicanism*, p. 80.

power needed to secure liberty. Liberty without security and protection is a chimera. Properly designed and publicly supported states can be a central, yet not entirely lone, guarantor of the protection of people from the arbitrary power that can render them vulnerable. In a global context this not only requires a normative rationale that enables the public regulation of capitalism in a way that minimises the potential of vulnerability or mastery, but also the actual elaboration of interstate co-operation imbued by this rationale.

This dissertation is underpinned by the conviction that governance is inescapably shaped by underlying normative conceptions and that governance within the context of economic globalisation is no exception. Demystifying the norms and interests that shape the governance that supports economic globalisation is one important task that this dissertation undertakes. The other key task is to provide an alternative rationale of governance. As such, critical theory's attention to discerning patterns of dominance and the possibility of changing these existing world orders, as well as republicanism's concern for power impels the argument unfurled here. Ultimately, this dissertation seeks to contribute an alternative discourse to the continuing debate as to how the world ought to be governed. I endeavour to provide an alternative approach to neo-liberalism that demonstrates that the state is not only central to a realistic attempt to moderate economic globalisation, but that the state, in its current incarnation of the competition state, is also tied into economic globalisation in many parts of the world. Untying the state from economic globalisation is the task that lies before us if there is to be any hope of balancing the pursuit of prosperity, social cohesion and equal liberty within a world where the ethical foundation of governance is the minimisation of vulnerability. While this approach falls short of an ideal that seeks a cessation of capitalism it is an alternative that takes the distribution and exercise of power as the key concern that affects the constitution of liberty. This critique of the underlying norms of liberal governance paves the way for a republican-inspired alternative to achieve the liberty that liberalism is unable to secure in an era of economic globalisation.

Part I

Economic Globalisation and Neo-liberal Governance

CHAPTER ONE – THE POLITICAL ECONOMY OF ECONOMIC GLOBALISATION

> Do we find ourselves at the threshold of a new world? Which one? And through what processes will it be shaped?[1]

Societies across the world are typified by two concurrent social trends during the contemporary period. The first is a disruption of the social and political fabric of social life that is reshaping the contours of everyday life and the distribution of social opportunities. The second trend is the increasing integration of economic activity and political negotiation at a global level. These two trends, one of fragmentation and one of integration, are directly connected within a process of profound global restructuring of social, economic and political practice. The development of globalisation thus provokes the rethinking of various aspects of political thought. The key political question is how should we govern in this new condition?

In order to examine liberal arguments regarding governance within a globalising context the nature of globalisation must be explored. Globalisation is a contested concept that seeks to capture the underlying logic of significant social changes across the face of the globe. The central argument of the first part of this thesis is that there is a difference between globalisation understood as a long-term process of "growing global interconnectedness"[2] and economic globalisation as a relatively recent configuration of neo-liberal ideology and economic organisation. This distinction is crucial to examining the way liberal approaches to governance intersect with the social, economic and political realities of contemporary globalisation. I will argue that economic globalisation is a contingent reality defined by the reorganisation of capitalist accumulation that involves shifts in time, space and power. As such this emerging structure entails changes in social and economic practices as well as shifts in the dominant norms and in the function of political institutions. It will be argued that the nation-state, far from declining, is a central actor in the reorganisation of economic activity that is occurring across societies of much of the world. This reorganisation of economic life is also central to the rising levels of inequality and insecurity across the world.

---

[1] Manuel Castells, *The Economic Crisis and American Society* (Princeton, Princeton University Press, 1980), p. 255.
[2] Andrew McGrew, "Globalization and Territorial Democracy: an Introduction" in Andrew McGrew, (ed.), *The Transformation of Democracy* (Cambridge, The Open University, 1997), p. 7.

This chapter will provide an explanation of what economic globalisation is and why it has emerged. I will argue that economic globalisation, understood as the movement to a world economy that operates as a single deregulated place in real time, is not inevitable. It is an historical development driven by economic and political forces which stem from a fundamental reorganisation of capitalism. This chapter will also illuminate the changing material elements of a globalised economy indicated by changing technological, social and economic practices.

Three Accounts of Globalisation

In an effort to systematise the examination of globalisation, the book *Global Transformations* presents three explanations of globalisation.[3] These accounts stem from the literature that has sought to explain the context of contemporary global integration. The first approach encompasses conventional liberal formulations that reveal a rapidly changing world and its effect on business and government.[4] This type of thought is referred to as "hyperglobalisation" in that it proclaims that globalisation is not an incomplete process but a result clearly evident in a global age with global capitalism as the centrepiece.[5] There is also a broad thesis of progress built into these arguments that rests on the notion that technology allows companies and individuals to act upon a spontaneously formed 'self'-regulating global market. As such, economic globalisation is seen as an inevitable and monolithic development.[6] In this context the ability of the state to act is restricted to the extent that the state becomes an obsolete organisation in a world defined by global capitalism[7], not to mention, global forms of governance and civil interaction.

The second set of observations posits a contrary perspective in response to the hyperglobalist position. The 'sceptical' account of global transformation suggests that globalisation is not occurring and is thereby a 'myth' in at least one of two ways. The first line of argument posits that the persistence of an international economy precludes the emergence of a truly global

---

[3] David Held, et al, *Global Transformations* (Cambridge, Polity Press, 1999)

[4] Robert Reich, *The Work of Nations* (London, Simon & Schuster, 1991), Kenichi Ohmae, *The Borderless World: Power and Strategy in the Global Marketplace* (London, Harper Collins, 1990) and *The End of the Nation State: The Rise of Regional Economies* (London, Harper Collins, 1995).

[5] Held et al, *Global Transformations*, p. 3-5 and 11. Anthony Giddens, *Runaway World* (1999 BBC Reith Lectures); "Lecture One - Globalisation", <http://news.bbc.co.uk/hi/uk/english/static/events/reith_99/week1/week1> (Accessed the 1st of September 1999)

[6] Reich, *The Work of Nations*, John Naisbitt and Patricia Aburdene, *Megatrends 2000* (London, Pan Books, 1990), Ohmae, *The Borderless World* and *The End of the Nation State*

[7] Ohmae, *The End of the Nation State*

form of economic organisation.[8] The evidence against a 'globalised' economy rests on the continued importance of states within the world economy. This position argues that, in some senses, the level of global integration during the last decade of the twentieth century is less than the period of 1870-1914.[9] Far from a world where markets have trumped states, the world economy is still shaped by state to state interaction.[10] Scholars sceptical of globalisation note there remain significant differences between the strategic choices made by states in response to the world economy.[11] In addition, some sceptical scholars also note that states have continued to adapt to increasing interdependence in global politics and that strong states are still "able to work the system to their advantage".[12]

The second sceptical position is based on the argument that capitalism has always been global. This approach stems from Marxist arguments that emphasise the continuity of the capitalist mode of production and thereby perceive globalisation to represent an exaggerated view of change. After all, Karl Marx indicated in 1872 that

> the need of a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle every where, establish connexions everywhere.[13]

David Harvey, in particular, believes that globalisation is a "long standing process always implicit in capital accumulation, rather than a political-economic condition that has recently come into being".[14] The idea that globalisation is an ideological term used to explain and justify neo-liberal policies in the western and developing worlds is also implicit within much Marxist thought. Some Marxists have claimed that globalisation is an ideology that claims the status of "inevitability" and therefore "destroys" state capacity to manage economic activity.[15] In both strands of the sceptical argument the state persists as an important form of governance.[16]

---

[8] Paul Hirst and Grahame Thompson, *Globalisation in Question* (Cambridge, Polity Press, 1996), p. 10.
[9] Hirst and Thompson, *Globalisation in Question*, p. 2.
[10] Waltz claims that "politics, as usual, prevails over economics". Waltz, "Globalisation and Governance", p. 9.
[11] Linda Weiss, *The Myth of the Powerless State* (Cambridge, Polity Press, 1998)
[12] Kenneth Waltz, "Globalisation and Governance", *PS Political Science and Politics*, December 1999. <http://www.apsanet.org/PS/dec99/waltz.htm> (Accessed on the 30th of October 2000), p. 7. See also Robert Gilpin, *Global Political Economy* (Princeton Press, Princeton, 2001)
[13] Karl Marx, *The Manifesto of the Communist Party* (Progress Publishers,USSR,1986[1872])
[14] David Harvey, *Justice, Nature and the Geography of Difference* (Basil Blackwell, Oxford, 1997), p. 421.
[15] Manfeld Bienefeld, "Capitalism and the Nation State in the Dog Days of the Twentieth Century", *The Socialist Register*, 1994, p. 120.
[16] Held, et al, *Global Transformations*, p. 7. Weiss, *The Myth of the Powerless State*

The observations of the hyperglobalists and sceptics miss some important elements of the social change that have occurred since the 1970s. Both sets of observation set capitalism in stone. They do not examine the history of various types of capitalism or the changing ideas that dominate and shape decisions within capitalist social development. In many ways these observations represent "two stopped clocks [that] gaze upon the movement of history".[17] This is particularly evident in the failure to examine the ways in which governance interacts with changing social and economic practices. In the case of liberal observations there is much description of what is happening to governments and firms, but little questioning of *why* or *how* this global market was formed. Liberal perspectives take global economic structures for granted, leading them to overlook the role that political structures, both within and beyond the state, play in economic globalisation. Both liberal and orthodox Marxist derived arguments run into trouble because they fail to examine the history of decisions within and between nation-states as well as the ideas that shape economic life.

The "transformationalist" perspective is the third account of globalisation.[18] According to Anthony McGrew, these authors seek to locate globalisation as a "fundamental historical shift in the scale of contemporary social and economic organization".[19] Anthony Giddens exemplifies this account when he defines globalisation as "the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa".[20] The processes of globalisation have been interconnecting individuals and polities since at least the onset of modernity[21] with some dynamics of globalisation evident within premodern social forms.[22] Giddens points to the ability of modern social forms to exist across time and space via abstract systems of rule, belief and exchange that are especially evident in empires, religion and trade. These processes of increasing interdependence and "time-space distanciation" have operated on a global scale and cut across borders in various forms of economic, cultural and political activity.[23]

---

[17] Alain Lipietz, "New Tendencies in the International Division of Labour: Regimes of Accumulation and modes of Regulation" in Allan Scott and Michael Storper (eds.) *Production, Work, Territory: The Geographical Anatomy of Industrial Capitalism* (Boston, Allen and Unwin, 1986), p. 17. See also Bob Jessop, "Capitalism and its Future: Remarks on Regulation, Government and Governance" *Review of International Political Economy*, Volume 4, Number 3, 1997.

[18] Held, et al, *Global Transformations*, p. 7.

[19] McGrew, "Globalization and Territorial Democracy", p. 8.

[20] Anthony, Giddens, *The Consequences of Modernity* (Stanford, Stanford University Press, 1990), p. 64.

[21] Roland Robertson, "Mapping the Global Condition", *Theory, Culture and Society*, Vol. 7, 1990, pp. 26-7. See Held et al, *Global Transformations*, p. 10.

[22] Held et al, *Global Transformations*, pp. 415-8.

[23] Giddens, *The Consequences of Modernity*, p. 14.

The authors of *Global Transformation* develop the transformationalist argument further by examining various forms of global integration in an historical sense. In comparing the globalisation of various forms of activity, such as governance, organised violence, trade, finance and culture, across time, the account emphasises globalisation as a process. As such they define globalisation as

> *a process (or a set of processes) which embodies a transformation in the spatial organization of social relations and transactions, assessed in terms of their extensity, intensity, velocity and impact, generating transcontinental or interregional flows and networks of activity, interaction, and the exercise of power.*[24]

This spatial shift is evident in a "stretching and deepening of social relations and institutions across space and time" such that people are increasingly influenced by events occurring on the other side of the globe and the "practices and decisions of local groups or communities can have significant global reverberations".[25] While these processes have been evident throughout human history, the incidence of globalisation has varied according to the type of activity and the time period, but has been subject to "great shifts and reversals".[26] Thus the transformationalist account elaborated in *Global Transformations* argues that globalisation is a reality in a long-term sense that does not have an "emergent telos"[27] or an overarching purpose.

The Silence of Neo-liberalism

While globalisation is not new according to the transformationalist argument, contemporary global integration is characterised by a condition where "the extensive reach of global networks is matched by their high intensity, high velocity and high impact propensity across all the domains or facets of social life".[28] This leads to the observation that politics is globalising in the sense that

> political communities and civilisations can no longer be characterized simply as 'discrete worlds': they are enmeshed and entrenched in complex structures of overlapping forces, relations and

---

[24] Held et al, *Global Transformations*, p. 16. Emphasis in the original.
[25] David Held, "Democracy and Globalization" in Daniele Archibugi, et al. (eds.) *Re-imagining Political Community; Studies in Cosmopolitan Democracy* (Polity, Cambridge, 1998), p. 13.
[26] Held et al, *Global Transformations*, p. 414.
[27] Held et al, *Global Transformations*, p. 414.
[28] Held et al, *Global Transformations*, p. 21. See also pp. 429-31.

movements... But even the most powerful among them - including the most powerful nation-states - do not remain unaffected by the changing conditions and processes of regional and global entrenchment.[29]

Within this context the functions of governance are being increasingly placed in a multi-level structure where the lines between foreign and domestic policy blur.[30] This creates the situation whereby nation-states cannot be assumed to be the only political actors within global politics. In this context, global organisations and Non-Governmental Organisations (NGOs) are increasingly important to policy-making and political life.[31]

While the hyperglobalist position overstates global transformation and the sceptical position takes a stance that misses the significance of changing ideas and institutions, the transformationalist account of globalisation argues that the integration of social relations is occurring as a long-term and indeterminate process. However, while the transformationalist account is an observation that is important to understanding the contemporary globalisation, it is silent on some of the political forces that influence and maintain the prevailing form of globalisation. In order to explain the nature of contemporary globalisation it is important to outline both the *forms* of global integration and the political *substance* of these forms of integration and interdependence. While, it is important to explain how the world has been organised spatially over time, it is also important to examine what social forces dominate the *political context* that is being stretched to a global level. In the case of contemporary globalisation, the transformationalist thesis overlooks the importance of neo-liberalism and understates the role that capitalist actors have played in construction of the prevailing type of globalisation.

Understanding economic globalisation as a relatively recent and distinct phase of global integration relies on an alternative approach to the transformationalist account of globalisation. An alternative is evident in what Robert Cox refers to as "critical political economy".[32] This approach offers an alternative understanding of economic globalisation. The broad understanding of a critical approach to political economy is outlined by neo-Gramscian scholars such as Robert Cox and Stephen Gill, and by scholars such as Manuel Castells, Alain

[29] Held et al, *Global Transformations*, pp. 77-80.
[30] Held et al, *Global Transformations*, pp. 80-1.
[31] Held et al, *Global Transformations*, pp. 52-62 and Jan Aart Scholte, *Globalisation, a critical introduction* (Basingstoke, Palgrave, 2000), chp 6.
[32] Robert Cox, "Critical Political Economy" in Bjorn Hettne (ed.), *International Political Economy; Understanding Global Disorder* (London, Zed Books, 1995)

Lipietz and Saskia Sassen who employ a loosely regulationist schematic.[33] These scholars analyse the movement towards a global economy as centring on the motivations of social groups and dominant ideas, as well as changes in the technical and political infrastructure of world organisation. While globalisation, as the slow and uneven expansion of modernity over the last five hundred years, is an opened-ended process, the form and context of contemporary globalisation is not preordained. The ratcheting up of global integration since the 1970s is significantly linked to changes in the form of economic and technological organisation on the part of firms, whole industries and societies around the world.[34] This change has led to increasing interactions between and across states, such that economic and social relations are no longer only national or international in that such processes routinely transcend state borders and are "less tied to territorial frameworks".[35] This qualitative increase in global integration is also connected to the increasing prominence of neo-liberalism both as a discourse and as political rationale that shapes governance in many states around the world as well as international economic agreements. These developments explain the social restructuring and the forms of global interdependence, hierarchy and fragmentation evident since the late twentieth century.

Because this phase of integration is characterised by the neo-liberal extension of capitalist relationships beyond the borders of the nation-state it is referred to as economic or neo-liberal globalisation. Economic globalisation is the structured process where economic organisation is global rather than national or international. While capitalism has operated on a worldwide scale since the sixteenth century,[36] and the interwar period was characterised by low levels of trade and rising state autarky, the post war period was defined by an expansion of international trade and co-operation.[37] But economic globalisation represents a development from an international economy, in that economic activity is globally organised by actors and frameworks that conceive of the globe as a whole as being the location of economic activity. This economic context has been accompanied by shifts in ideas and institutions that have facilitated the development of a global economy. To further examine this shift it is necessary to first explore the way in which critical political economy examines global politics.

---

[33] I use the term "critical" in the sense used by Robert Cox as distinct from Frankfurt school interpretations. See Robert Cox (with Timothy Sinclair), *Approaches to World Order* (Cambridge, Cambridge University Press, 1996)
[34] Manuel Castells, *The Informational City* (Oxford, Blackwell, 1989), pp. 23-5.
[35] Jan Aart Scholte, "Global Capitalism and the State", *International Affairs* Vol. 73 No. 3, 1997, pp. 430-1. See Manuel Castells, *The Rise of the Network Society, Vol I of The Information Age: Economy, Society and Culture* (Oxford, Blackwell, 1996), pp. 92-3.
[36] Immanuel Wallerstein, *The Capitalist World-Economy* (Cambridge, Cambridge University Press, 1979), p. 37.
[37] Riccardo Petrella, "Globalisation and Internationalisation" in Robert Boyer, and Daniel Drache (eds.), *States Against Markets* (London, Routledge, 1996), pp. 62-4.

Critical Political Economy

Critical political economy has two edges to its analytical framework. First, it is critical in the normative sense of forwarding alternatives to prevailing patterns of power.[38] Second, critical political economy is critical in the ontological sense – it does not take the world as given. Rather it is focused on the nature and potential of transformations of social structures. Hence it

> is concerned with the historically constituted frameworks and structures within which political and economic activity takes place. It stands back from the apparent fixity of the present to ask how existing structures came into being and how they may be changing, or how they may be induced to change.[39]

The approach of critical political economy outlined by Cox takes a holistic picture of the world and is shaped by a number of writers from different eras.[40] The world is not just examined in terms of the relationship between politics and economics. It is also analysed within historical and cultural levels of a particular world order: "history is always in the making, in a complex and dialectical interplay between agency, structure, consciousness and action, within what Fernand Braudel has termed the 'limits of the possible'".[41] This requires the investigation of the ideas, practices and governance of everyday life.

In theorising the multiple and overlapping transitions in social life, critical political economy holds that structures of governance and the economic basis of a given society are important. But they are only intelligible within the context of the historical development of ideas, culture and knowledge. In addition, because ideas transcend political boundaries (and in large part actually construct them), critical political economy attempts to integrate the domestic and international fields and to "theorise the complementary and contradictory relations between

---

[38] Robert Cox makes the distinction between "positive theory", which aims at the maintenance of the prevailing order and "critical theory" that seeks to understand how the prevailing order came into being and how it could be changed. Cox, "Critical Political Economy", p. 32.
[39] Cox, "Critical Political Economy", p. 32.
[40] These writers include Karl Marx, Antonio Gramsci, Karl Polanyi, and Fernand Braudel. See Stephen Gill, "Gramsci and Global Politics: Towards a Post-Hegemonic Research Agenda" in Stephen Gill (ed.), *Gramsci, Historical Materialism and International Relations* (Cambridge, Cambridge University Press, 1993), p. 1.
[41] Gill, "Gramsci and Global Politics", p. 9.

the power of states and the power of capital".[42] Thus, the prevailing beliefs and ideas that are embodied in the institutions of political and economic practice shape the ways in which actors behave. The question this poses is *cui bono*: "whose interests and ideas are embodied in the rules and norms of the system"?[43] In order to probe the construction of social life and determined how global politics is shaped, five concepts become crucial. The former two stem from Gramscian thinking, the latter three from regulationist analysis.

Antonio Gramsci and contemporary interpreters of his thought use the interlocking notions of historic bloc and hegemony to explain the development of a contingent way of life. A *historic bloc* is "a wider social and political constellation of forces" which represents an

> 'organic' link between 'political' and 'civil society', a fusion of material, institutional, inter-subjective, theoretical and ideological capacities... Any new historic bloc must have not only power within civil society and economy, it also needs persuasive ideas and arguments (involving what Gramsci called the 'ethico-political' level) which build on and catalyse its political networks and organisation.[44]

Within a given historic bloc hegemony prevails.[45] *Hegemony* represents a system of domination that exists, not just in terms of physical power and coercion, but also in terms of ideas and consent, thereby giving cohesion to particular social structure.[46] Such ideas shape the building of institutions within states as well as the ideas that dominate negotiations between states and the building of international institutions.[47] In sum, a historical bloc depicts a normalised pattern of social life while the notion of hegemony illuminates the norms and ideas, and hence the organisations and individuals, that prevail over the shaping of that historic bloc.

Contemporary Gramsician scholars, particularly Robert Cox and Stephen Gill, have asserted that historic blocs exist at a worldwide level, that global politics is more than just the

---

[42] Stephen Gill and David Law, "Global Hegemony and The Structural Power of Capital" in Stephen Gill (ed.), *Gramsci, Historical Materialism and International Relations* (Cambridge, Cambridge University Press, 1993), p. 93.
[43] Ngaire Woods, "International Political Economy in an Age of Globalization" in John Baylis and Steve Smith (eds.) *The Globalization of World Politics* (Second Edition), (Oxford, Oxford University Press, 2001), p. 288.
[44] Gill and Law, "Global Hegemony and The Structural Power of Capital", p. 93-4.
[45] Cox, *Approaches to World Order* chp 10 and 12, and Steven Gill, "Globalisation, Market Civilisation, and Disciplinary Neoliberalism", *Millennium*, Vol. 24, No. 3, 1995.
[46] Gill and Law, "Global Hegemony and The Structural Power of Capital", p. 93.
[47] John Ruggie, "At Home Abroad, Abroad at Home: International Liberalism and Domestic Stability in the New World Economy", *Millennium*, Vol. 24, No. 3, 1994.

interaction of states but also "a globally-conceived civil society".[48] A worldwide historic bloc is a social structure referred to as a world order. A world order is an *assembly* of material practices and dominant ideas, as well as forms of state and international organisations, framed by a dominant set of social forces who invest the contingent social formation with a sense of coherence and normalcy. The composition of world order is shaped by what Cox refers to as "social forces", which are those groups of people including classes, class fractions, mass movements and intellectuals whose power is continually being reshaped by the consensual and conflictual nature of 'civil' interaction.[49] Social forces exert their influence over the shape of world order, either through control of the state, or through the transnational transmission of ideas or influence.[50] Consequently, a world order is a "framework" consisting of a "particular configuration of social forces" that acts as a background condition that

> does not determine actions in any direct or mechanical way but imposes pressures and constraints. Individuals and groups may move with the pressures or resist and oppose them, but they cannot ignore them. To the extent that they do successfully resist a prevailing historical structure, they buttress their actions with an alternative, emerging configuration of forces, a rival structure.[51]

Thus, global politics is political in the sense that the particular configuration that determines the character of world order is historically and politically configured by processes of control and consensus. Moreover, the social forces that dominate do not only decisively shape the constitution of a world order; they also actively defend this framework from other potential orders that do not suit their interests.[52]

A world order can be examined in two different senses. In one sense a world order or historic bloc can be seen as a *coalition* or "an alliance – a "bloc" of those whose interests are served and whose aspirations are fulfilled by this economic and social system".[53] This entails the hegemonic building of a coalition of social forces that consent to the order, as well as norms and ideas that legitimate this order. In another sense a world order is a *pattern* of life "that must be looked at in different ways in order to be understood completely":

---

[48] Robert Cox, "Gramsci, Hegemony and International Relations: An Essay on Method" in Stephen Gill, (ed.) *Gramsci, Historical Materialism and International Relations* (Cambridge, Cambridge University press, 1993), p. 61.
[49] Cox, *Approaches to World Order*, p. 100.
[50] Cox, *Approaches to World Order*, pp. 100-1.
[51] Cox, *Approaches to World Order*, pp. 97-8.
[52] Cox, *Approaches to World Order*, p. 97.
[53] Craig Murphy, *International Organisation and Industrial Change* (Cambridge, Polity Press, 1994), p. 27.

> Only when we have looked at all of the faces of a historical bloc – its biological-material face, its economic face, its political face, and its cultural and ideological face – can we begin to understand the ways they are internally connected one to another, and therefore begin to understand what makes the characteristic form of its overall social development possible.[54]

By examining the faces or elements that comprise a given world order, the interests that are dominant and benefit the most from the order become clear. A world order is a social formation shaped by those with power, where the faces or elements of a world order can be understood as the material face, which includes the economic, social and technological aspects of organisation, the ideological-cultural face and the institutional or political face.[55]

In a similar vein, regulationist writers seek to explain how capitalism perpetuates itself as a social process within the state.[56] The interaction of the state and the market in the context of the capitalist mode of production is not automatic. There are many different institutional arrangements that are needed in order for capitalism to operate in a profitable manner. There is no "global maestro" that directs capitalism.[57] Rather, there are a number of influences that emanate from society that constrain, develop and shape capitalism within a given social context. Regulationist thought examines these influences in light of three framing concepts.

First, there is the examination of the *"regime of accumulation"*, which consists of the manner in which production, innovation and consumption are arranged and stabilised over time to enable the correspondence of accumulation and consumption.[58] Second, there is the *"mode of regulation"*, which consists of the "norms, habits, laws, regulation networks and so on that ensure the unity of the process" of capitalist accumulation and the governance of social life.[59] Governance refers to more than just the government or state. It refers to the context of a system of rule: the establishment and operation of public and private decision-making processes that shape how actors operate.[60] Hence, there is a constant social struggle which

---

[54] Murphy, *International Organisation and Industrial Change*, p. 28.
[55] Cox, *Approaches to World Order*, p. 98.
[56] Alain Lipietz, "The National and the Regional: Their Autonomy Vis-à-vis the Capitalist World Crisis" in Barry Gills and Ronen Palan (eds.), *Transcending the State-Global Divide: The Neostructuralist Agenda in International Relations* (London, Lynne Rienner Publishers, 1994) and Castells, *The Informational City*
[57] Lipietz, "New Tendencies in the International Division of Labour", p. 17. Alain Lipietz elaborates; "No exterior destiny, no general law of capitalism dictates to any nation its place within an implacable division of labour. Unless, that is, 'exterior destiny' means simply the weight of the past, inscribed in social structure ... for even on the basis of given conditions, inherited from the past, we make our own history" (p. 39).
[58] Lipietz, "New Tendencies in the International Division of Labour", p. 19.
[59] Lipietz, "New Tendencies in the International Division of Labour", pp. 19-20.
[60] Geoffrey Underhill, "State, Market, and Global Political Economy: Genealogy of an (Inter-?) Discipline", *International Affairs* Vol. 76, No. 4, 2000, p. 821.

resolves itself within the context of the state and the mode of regulation,[61] that constructs an institutional setting that allows for relatively efficient and profitable markets.[62] Third, what can be called a *'global regime'* represents the nature of the economic relationships of production, exchange and consumption that bracket and stabilise the various state regimes at the core and the periphery of the world economy.[63] However, regulationists do not point to a 'global' mode of regulation because there are no global compromises in the sense of a global state, even though there are international forms of governance in the forms of international organisations,[64] and fundamental international institutions and principles.[65] Instead, we can point to the Gramscian notion of hegemony to indicate the field of dominion, or world order, that enables a given global regime.[66]

The account of critical political economy that I have presented here combines Gramscian and regulationist perspectives to examine the underlying framework of global politics.[67] In contrast to the transformationalist account, that perceives globalisation to be *transformation* and process, the critical account of economic globalisation suggests that economic globalisation is a contingent social *formation*: a world order that represents a constellation of social forces and groups that support a particular political framework. While globalisation is occurring in the long-term sense that transformationalist's outline, the political logic of a world order is also present. However, world orders are not immutable structures. They develop within a particular historical juncture by those in a position to construct a world order that in time is challenged and transformed by alternative practices and norms. I contend that economic globalisation is a social construct that was formed by a crisis in the social reproduction of capitalism. For this to transpire the post Second World War world order that supported international bargaining had to collapse and be supplanted by a new set of social forces and

---

[61] The state is seen as a crucial institution of regulation that resolves, at least temporarily, social struggles that with the state would be endless. Lipietz, "New Tendencies in the International Division of Labour", p. 21.

[62] Robert Boyer and Daniel Drache, "Introduction" in Robert Boyer and Daniel Drache (eds.), *States Against Markets* (London, Routledge, 1996), pp. 5-6.

[63] Lipietz, "New Tendencies in the International Division of Labour", p.20. See Wallerstein, Immanuel, *The Capitalist World-Economy*

[64] Murphy, *International Organisation and Industrial Change*

[65] Christian, Reus-Smit, "The Constitutional Structure of International Society and the Nature of Fundamental Institutions", *International Organisation*, Volume 51, Number 4, Autumn 1997.

[66] Lipietz, "The National and the Regional", pp. 26-7.

[67] It is important to note that there are subtle differences between the Gramsican and regulationist approaches. While they have much in common, especially the belief that there is no structural destiny of capitalist society, regulationist thinkers tend to emphasise material features of social life. This is evident in the state being kept at the forefront, with social crises being crises in the reproduction of profitable activity. In contrast Gramscian approaches emphasise the normative features of social life, meaning that crises in capitalism are a crisis in the whole 'ethico-political' structure of the particular historic bloc. See Murphy, *International Organisation and Industrial Change*, p. 33 and Gill and Law, "Global Hegemony and The Structural Power of Capital", p. 95 and Lipietz, "The National and the Regional", p. 26.

agreements that forged new global forms of economic and social organisation. Before outlining the world order of economic globalisation and neo-liberalism, it is crucial to see what preceded it.

Changes in World Order

During the twentieth century there were a series of world orders that followed the demise of the gold standard and the clear reign of *Pax Britannia* in the years leading up to the First World War.[68] The inter war world order was typified by the absence of clear hegemonic power and by imperialism between western powers and most of the non-western world.[69] Nation-states across the western world were defined by economic nationalism as the mode of regulation, despite different histories and cultures. The practice of sharing a common fate was fostered by the developing Fordist regime of accumulation that ushered in mass production and consumption. A tangible common economic fate within the nation-state was central to economic nationalism. Economic nationalism involved "the belief that economic actors in a nation-state all have a shared experience of the international economy, and that this international economy is expressed as something alien – to be defended against or collectively conquered".[70] The autarchic nationalism of the inter war period entailed the support of the state for productive capital,[71] and involved a rejection of the *laissez-faire* liberalism of the late nineteenth century.[72] Autarchic nationalism was evident in 'beggar thy neighbour' policies in trade and currency depreciation during the Great Depression and conflict during the Second World War.

The post Second World War order was underpinned by the hegemony of the United States.[73] This world order was also defined by the breakdown of imperialism through the beginnings of decolonisation. Despite this shift, there was the persistence of neo-imperialism, evident within a global regime of unequal exchange between the western core and the non-western

---

[68] Robert Cox suggests this period ended as early as 1875-90. Cox, "Gramsci, Hegemony and International Relations", p. 60.
[69] Cox, "Gramsci, Hegemony and International Relations", p. 60.
[70] Dick Bryan, "Australian Economic Nationalism: Old and New", *Australian Economic Papers*, Vol. 30 (56), p. 290. See Cox, *Approaches to World Order*, pp. 297-8.
[71] Henk Overbeek and Kees Van der Pijl, "Restructuring Capital and Restructuring Hegemony" in Henk Overbeek (ed.), *Restructuring Hegemony in the Global Political Economy* (London, Routledge, 1993), pp. 9-10.
[72] Phillip Cerny, *The Architecture of Politics* (London, Sage, 1990), pp. 212-3.
[73] Cox, "Gramsci, Hegemony and International Relations", p.60. Gill and Law, "Global Hegemony and The Structural Power of Capital", pp. 96-7.

periphery.[74] The United States presided over an economic system that fixed world currencies to the US dollar (which in turn was fixed to gold) and established the set of institutions arranged at Bretton Woods.[75] These institutions included the General Agreement on Tariffs and Trade (GATT), the International Monetary Fund (IMF) and the World Bank. The GATT was a framework aimed at expanding trade between member states by multilaterally negotiating a degree of comparative advantage and avoiding unfair [illegible] policies. In order to develop a stable international monetary system that avoided competitive currency devaluation, the IMF was established as a lender of last resort for balance of payment difficulties. The World Bank was developed as a lender to states that were rebuilding or developing. These instruments were aimed at promoting a global regime that promoted economic growth, economic stability and an "active domestic role for the state in order to ensure that equity and growth went hand in hand".[76]

The post war world order was underpinned by ideas that can best be referred to as "embedded liberalism", because efforts of economic liberalisation were balanced with social stability and welfare within the nation-state.[77] The observation that the ideas of embedded liberalism animated western states and the Bretton Woods agencies at this time, was evidence that policy makers had learnt from the "mutually destructive consequences of the external economic polices states pursued in the 1930s".[78] It was also evidence of a "synthesis" of an "Americanised version of liberal internationalism" and the interests of national productive capital.[79] Essentially, if the nation-state was to be prosperous, the international economy had to be managed by international co-operation. This included policies to protect local markets from outside competition. Protectionism sought, not only to protect strategic industries, such as iron and shipbuilding, but also to provide full employment for a nation's workers and a stable environment for domestic firms. Unlike the unilateral protectionism of the interwar years these efforts of protectionism were aligned multilaterally under the GATT. Contrary to "the economic nationalism of the 1930s, the international economic order would be

[74] Stephen Gill and David Law, *The Global Political Economy* (New York, Harvester, 1988), p. 78.

[75] John Ruggie, "Embedded Liberalism Revisited: Institutions and Progress in International Economic Relations" in Emmanuel Adler and Beverly Crawford, (eds.) *Progress in Postwar International Relations* (New York, Columbia University Press, 1991), pp. 203-4 and Woods, "International Political Economy in an Age of Globalization", p. 280.

[76] Ethan Kapstein, "Workers and the World Economy", *Foreign Affairs*, Volume 75, No 3, May/June, 1996, pp. 20-1. See Cox, *Approaches to World Order*, p. 297.

[77] Ruggie, "Embedded Liberalism Revisited", p. 203. See also John Ruggie, "International Regimes, Transactions, and Change: Embedded Liberalism in the Post War Period", *International Organisation*, 36, 2, Spring 1982.

[78] Ruggie, "Embedded Liberalism Revisited", p. 203. See also Ethan, Kapstein, "Workers and the World Economy", pp. 20-1.

[79] Overbeek and Van der Pijl, "Restructuring Capital and Restructuring Hegemony", p. 11.

multilateral in character; but unlike the liberalism of the gold standard and free trade, its multilateralism would be predicated upon domestic interventionism".[80] The character of the prevailing global regime was *international*.

The domestic aspect of embedded liberalism was made manifest by social bargains between various national social forces; the government, business, unions and farmers. This "social pact" involved the deployment of welfare mechanisms and social entitlements backed by the Keynesian-interventionist state.[81] Keynesian economics provided a justification for being sceptical that the market and *laissez-faire* methods, both domestically and internationally, could be smooth or self-balancing. Keynesian economists thereby asserted that governments should use taxation and expenditure to manipulate aggregate demand in order to promote full employment and economic growth. These domestic arrangements were ultimately underpinned by "welfare-Keynesian modes of regulation" evident by an active government presence in macroeconomic activity and the promotion of policies that enabled a range of Fordist regimes of mass production and mass consumption to exist across the western world.[82] This intervention was aimed at economic growth and productivity as well as social stability, the maximisation of welfare and the development the nation-state in terms of public infrastructure.[83] In contrast to the interwar years this national bargain was an "historic compromise" that promoted full employment, the welfare state, increased trade and an expanding international economy.[84] It was a particular relationship between the government, business and organised labour than linked the nation-state into the international capitalist economy that ultimately balanced capitalism and social stability in what became known as a "golden age".[85]

World Order: Crisis and Resolution

The world order defined by the hegemony of the US and the norms of embedded liberalism came to an end "sometime from the late 1960s through the early 1970s [when] it became

---

[80] Ruggie, "Embedded Liberalism Revisited", p. 203.
[81] Castells, *The Informational City*, pp. 21-2.
[82] Adam Tickell and Jamie Peck, "Social Regulation after Fordism: Regulation Theory, Neo-liberalism and the Global-Local Nexus", *Economy and Society*, Volume 24, Number 3, August 1995, pp. 361-2.
[83] Castells, *The Informational City*, p. 22. In America there was the G.I. Bill, the Employment Act and the National Defence Highway Act, in Europe there were significant welfare policies enacted.
[84] Peter Gourevitch, *Politics in Hard Times* (New York, Cornell University Press, 1986), p. 18 and Kapstein, "Workers and the World Economy", pp. 16-7.
[85] Castells, *The Informational City*, p. 22. See also James Richardson, *Contending Liberalisms in World Politics: Ideology and Power* (Boulder, Lynne Rienner, 2001), p. 42.

evident that this US-based world order was no longer working well".[86] During this period the economic growth of the post war period declined and inflation increased. The US also withdrew from the "dollar-gold standard and paved the way for major currencies to 'float' instead of staying at fixed values".[87] The norms underpinning the Bretton Woods system and state policy-making began to be questioned. In addition, some of the social forces supporting the Fordist arrangement, most notably the interests of business, were disaffected. As a result, the social practices and the ideas associated with Fordism were challenged. This crisis of the late 1960s and 1970s

> cannot be traced to any one single incident, or to any one isolated dip in the normal business cycle. It was a fundamental crisis of 'normality' affecting all aspects of the post-war order: social relations of production, the composition of the historic bloc and its concept of control, the role of the state, and the international order.[88]

This multifaceted crisis was a series of cracks in both the support for the embedded liberal world order and the various 'faces' of the world order of embedded liberalism and an international economy.

By the late 1960s the material face of the embedded liberal world order, the Fordist regime of accumulation, was in a "situation of structural crisis" across advanced capitalist societies.[89] The contours of this crisis involved both declining profitability that stemmed from the successful social and labour demands in the western world, as well as inflexibility associated with the Fordist regime of accumulation.[90] The oil shocks of the early 1970s had the dramatic effect of prompting stagflation across the western world and accelerating the crisis of Fordist regimes of accumulation and the ability of the welfare-Keynesian state to maintain capitalism in the western world.[91] Such a crisis is defined by the impossibility "to expand or reproduce the system without a transformation or reorganisation of the basic characteristics of production,

---

[86] Cox, "Gramsci, Hegemony and International Relations", p. 60. See Phillip Cerny, "Paradoxes of the Competition State: The Dynamics of Political Globalisation" *Government and Opposition*, Vol. 32, n. 2, 1997, p. 259 and Cox, *Approaches to World Order*, p. 298.
[87] Woods, "International Political Economy in an Age of Globalization", p. 280.
[88] Overbeek, and Van der Pijl, "Restructuring Capital and Restructuring Hegemony", p. 14.
[89] Castells, *The Economic Crisis and American Society*, p. 8 and Martin Carnoy and Manuel Castells, "Globalization, the Knowledge Society, and the Network State: Poulantzas at the Millennium", *Global Networks* 1, 1 (2001), p. 5.
[90] Castells, *The Informational City*, p. 22.
[91] Castells, *The Informational City*, p. 22, Cerny, "Paradoxes of the Competition State", p. 259 and Stephen Gill, "Toward a US-Centred Transnational Hegemony" in Henk Overbeek (ed.), *Restructuring Hegemony in the Global Political Economy* (London, Routledge, 1993), pp. 250-4.

distribution and management, and their expression in terms of social organisation".[92] The successes of the welfare state and the relatively strong position of labour in advanced capitalist societies were restricting firms both in terms of realising profits on current investments and pursuing further profitable options.[93] There were two immediate responses on the part of firms to open up profitable opportunities.[94] One was to replace labour by increasingly utilising information technology.[95] The second was to extend production processes to cheaper parts of the world.[96] In effect, firms were encouraged by this economic crisis to take the "global option" in order to develop a benign environment for profit.[97] Ironically, it was also the successes in the post war international economy of embedded liberalism that led to a disembedded global economy. These successes included: the expansion of trade; the rebuilding of Europe and Japan; the rise of the transnational corporation; and the expanded production of new technological items, including information technology.[98]

The changes in social and corporate organisation were paralleled by an ideological and institutional shift during this period of crisis. The ideas of a national bargain were also weakening because of the development of transnational linkages of "informal networks of ruling class consultation" between business people and government officials in private fora such as the World Economic Forum (WEF), the Bilderburg conferences and the Trilateral Commission.[99] In particular, the Trilateral Commission was at the forefront of questioning the mode of regulation that supported a Fordist national bargain and the "ungovernability" that this type of circumstance produced.[100] The ideology that emerged from the transnational linkages of business during the 1980s and 1990s invoked the importance of free markets and a minimal state. The ideology became referred to as "neo-liberalism" and expressed the view that government should implement a "variety of measures intended to insulate economic

---

[92] Castells, *The Economic Crisis and American Society*, p. 8. See also Castells, *The Informational City*, p. 21.
[93] Castells, *The Informational City*, p. 22 and Boyer, "State and Market", p. 93.
[94] This is not to say that all firms immediately took the 'global option'. Different firms in different nations took had different trajectories within this changing economic environment. See Ronen Palan, et al, *State Strategies in the Global Economy* (London, Pinter, 1996)
[95] Castells, *The Informational City*, p. 23.
[96] Castells, *The Informational City*, p. 26.
[97] Manuel Castells and Jeffrey Henderson, "Techno-economic Restructuring, Socio-political Processes and Spatial Transformation: a Global Perspective" in Jeffrey Henderson and Manuel Castells (eds.), *Global Restructuring and Territorial Development* (London, Sage, 1987), p. 1.
[98] Overbeek and Van der Pijl, "Restructuring Capital and Restructuring Hegemony", p. 13 and Gourevitch, *Politics in Hard Times*, pp. 28-31.
[99] Overbeek and Van der Pijl, "Restructuring Capital and Restructuring Hegemony", p. 13, Gill, "Towards a US-Centred Transnational Hegemony", p. 266 and Leslie Sklair, "Social Movements for Global Capitalism: The Transnational Capitalist Class in Action" *Review of International Political Economy*, 4:3 Autumn, 1997.
[100] Michel Crozier, et al., *The Crisis of Democracy* (New York, New York University Press, 1975) See Cox, *Approaches to World Order*, p. 304.

policy making from popular pressures".[101] While the influence of neo-liberalism varied from country to country, it had transnational forms of connection at its *inception* and was central to the challenge made to the idea of the welfare state and to 'big government', evident within the new right expressions of Reaganism and Thatcherism. Transnational neo-liberalism was also shaped by the "perceived threat to capitalist relations of production" due to calls during the 1970s for a New International Economic Order.[102] This ultimately unsuccessful order was an appeal by developing countries and western social democrats to democratically regulate the international economy and increase the representation of the developing world.[103]

The role that the US performed in this waning world order also shifted within this political and organisational shift towards neo-liberalism and a global economy. The system of supremacy with the US as the hegemon ran into problems by the 1970s, particularly after the Vietnam War. While the US remained the world's superior military force by a large margin, it no longer arranged rules and institutions in the way in had in the 1940s or 1950s. Stephen Gill points out that there was a shift from 'total' US hegemony towards a "US-centred transnational hegemony" where the US shared its hegemonic and rule setting capacity with other like minded governments of powerful states. The development of the Group of Seven (G-7) was evidence of this cooperation between powerful capitalist states.[104] This shift closely paralleled the transnational linkage of business consultation as evident in the WEF and the Trilateral Commission.[105] This convergence amongst capitalist elites and powerful states created a "common cause between the US and its allies" founded on the formation of arrangements that opened up opportunities for profit across the world in a way that differed significantly from embedded liberalism.[106]

Consequently, the argument that is advanced by scholars of critical political economy is that a globalised economy essentially developed from a breakdown of the international economy of embedded liberalism. This decay of the post war world order stemmed from declining

---

[101] Cox, *Approaches to World Order*, p. 305. See also UNDP, *Human Development Report 1999* (Oxford University Press, New York:, 1999), p. 29.
[102] Kees Van der Pijl, "The Sovereignty of Capital Impaired" in Henk Overbeek (ed.), *Restructuring Hegemony in the Global Political Economy* (London, Routledge, 1993) and Ngaire Woods, "International Political Economy in an Age of Globalization", p. 281.
[103] Van der Pijl, "The Sovereignty of Capital Impaired"
[104] Gill, "Towards a US-Centred Transnational Hegemony"
[105] Gill, "Hegemony, Consensus and Trilateralism" *Review of International Studies* (12) 1986 and Cox, *Approaches to World Order*, pp. 301-2.
[106] Peter Gowan, "Neoliberal Cosmopolitanism", *New Left Review*, 11, September / October 2001, p. 88.

profitability and economic stagnation in the western world.[107] This crisis was central to the movement of economic activity and technological innovation towards a resolution that involved the development of world order with a different framework of normality than an international economy.[108] Governments and capitalistic actors within advanced capitalist societies forged this resolution in three respects. First, new forms of social organisation were evident within a new regime of accumulation that was more flexible and increased the power of firms in relation to workers. This regime of accumulation, often referred to as 'post-Fordism', endeavoured to extract a higher proportion of the surplus of the production process for capital through restructuring work and reducing benefits and wages.[109] Second, a change in the mode of regulation involved a shift in the aims and mechanisms of public policy towards the neo-liberalism and deregulation. This entailed a shift within national policy-making from "political legitimation and social redistribution to political domination and capital accumulation".[110] This shift involves new forms of state activity that include deregulation, privatisation, regressive tax reform and the shrinkage of the welfare state.[111] The third element of the restructuring of capitalism involved an expansion of profit-making opportunities to a worldwide scale with "the system working as a unit, worldwide in real time".[112]

While capitalism has been a world economy from the sixteenth century, it is only since the 1970s that there has been the motivation and the technical infrastructure for capitalism to operate as a single place in real time. During this period, economic activity ceased to be conducted at arms length between distinct national economies that balance capitalism with social objectives. Rather, capitalist markets and actors increasingly operated within global networks that were increasingly deregulated and underpinned by neo-liberalism and the business interests supportive of this context.

A Neo-liberal World Order

Economic globalisation is more than a continuation of 'time-space distanciation'. By the account drawn from critical political economy, *economic or neo-liberal globalisation is a contingent*

---

[107] Castells and Henderson, "Techno-economic Restructuring, Socio-political Processes and Spatial Transformation: a Global Perspective", p. 3. See also David Gordon "The Global Economy: New Edifice or Crumbling Foundations?" *New Left Review*, Number 168, March/April 1988.
[108] Castells, *The Informational City*, Cox, *Approaches to World Order*, p. 300 and Lipietz, "The National and the Regional",
[109] Castells, *The Informational City*, p. 23 and Cox, *Approaches to World Order*, pp. 300-1.
[110] Castells, *The Informational City*, p. 25.
[111] Castells, *The Informational City*, p. 25.
[112] Castells, *The Informational City*, p. 26.

alteration in the world's social structure which weaves material, normative and institutional elements to fashion a world order that operates as a single deregulated place in real time. This world order has been actively developed by capitalistic social forces that have expanded and entrenched capitalist relationships, as well as supported new forms of social organisation and new forms of public policy and governance. Economic globalisation is not just economic. It represents a new normative and institutional framework and a "new model of socio-economic organisation" which is developing in an uneven way with national variations in order to achieve the basic aims of capitalism, a higher rate of profit for the owners of capital.[113] As such, economic globalisation is not a natural development of generic capitalism, nor technology, but a social construct formed from changing social forces that stem from capitalism, technology and culture. The fundamental feature of economic globalisation that the critical approach seeks to demonstrate is that the world order of economic globalisation was unleashed by social forces, and therefore states, that desired a political economic context that differed from the world order of embedded liberalism. Moreover, the social forces of capitalism acted politically and economically in a way that ultimately undermined embedded liberalism. While it would be an extreme exaggeration to suggest that the social forces supportive of neo-liberalism had complete control over the development of the alternative to embedded liberalism, economic globalisation was not automatic. It is a political economic process that has structural properties that, while far reaching, are not inevitable or irreversible.

While economic globalisation is occurring within broader processes of globalisation, the critical account argues that the contours of the globalisation evident in the last decades of the twentieth century are wrought by changes in the social organisation of capitalism. The key to this depiction of economic globalisation is that it binds the notion of an expanding global market and international division of labour with the development of technological innovation, flexible work practices and deregulated governance. There are other contemporary facets to globalisation such as the rise of electronically mediated communications, global cultural forms,[114] and the notion of "global civil society".[115] There has also been an "institutional reshuffling" with respect to the operation of states due to a series of shifts in international

[113] Castells, *The Informational City*, p. 23.
[114] Castells, *The Rise of the Network Society* and Held, et al, *Global Transformations*, chp 7.
[115] Ronnie Lipschutz, "Reconstructing World Politics: The Emergence of Global Civil Society", *Millennium*, 1992, Vol. 21, No 3.

norms, as evident within international human rights norms.[116] While these are important developments in world politics, the current configuration of globalisation and the prevailing patterns of power are being decisively shaped by the background structure of the neo-liberal world order. Contemporary globalisation is occurring on the terms of capitalist restructuring.

Market and corporate driven forms of integration characterise the neo-liberal world order. The emerging framework of this world order consists of three interlocking dimensions. The *material dimension* of the neo-liberal world order involves changing social and technological practices across societies, work places and the world. At the heart of this change is the rise of what Manuel Castells refers to as an "informational economy"[117] that involves global webs of production, flexibility in the workplace and higher productivity from technological innovation.[118] Associated with this development are new divisions of labour, a high capacity for mobility of networks of transnational corporations and an increased scale and importance of global finance which "has achieved a virtually unregulated and electronically connected 24-hour-a-day network". [119] These webs cut across historically defined patterns of inclusion and exclusion to produce clusters of economic activity within a new geographical pattern of development such as that which exists within "global cities".[120]

The *normative* and *ideological* dimension of this world order is associated with the broadening of hegemony beyond the US to incorporate transnational capital interests in other capitalist states[121] and the related proliferation of neo-liberal thought. The "neo-liberal ascendancy" represents a new ideology shaping society and public policy with the belief that the world can, and *ought* to, operate as a self-regulating market.[122] Neo-liberalism is giving rise to a "market civilisation" that infuses beliefs amongst elites and the broader public across the world that capitalism should shape political institutions.[123] The belief that the economy can act as a 'self'-regulating mechanism, first tried in England during the mid-nineteenth century, represents an

---

[116] Sassen, Saskia, *Losing Control? Sovereignty in the Age of Globalisation* (New York, Columbia University Press, 1995), p. 98. See also Jack Donnelly, "Human Rights: a New Standard of Civilisation?" *International Affairs* Vol. 74, No. 1, 1998.

[117] Manuel Castells "The Informational Economy and the New International Division of Labor" in Martin Carnoy et al (eds.), *The New Global Economy in the Information Age: Reflections On Our Changing World* (Pennsylvania, Pennsylvania University Press, 1993)

[118] Castells, *The Informational City*, p. 23 and Gill, "Towards a US-Centred Transnational Hegemony", p. 277.

[119] Cox, *Approaches to World Order*, p. 301.

[120] Saskia Sassen, *Cities in a World Economy* (London, Pine Forge Press, 1994), chp 2. See also Allen Scott, *Regions and the World Economy* (Oxford, Oxford University Press, 1998)

[121] Gill, Stephen, "Hegemony, Consensus and Trilateralism"

[122] Richardson, *Contending Liberalisms in World Politics*, p. 42.

[123] Gill, "Globalisation, Market Civilisation, and Disciplinary Neoliberalism", p. 399.

effort to free market activity from social and political control.[124] However the "truth is that free markets are creatures of state power".[125] For neo-liberal aspirations of a free market on a global scale to be realised, the interests and ideology of neo-liberalism have to be globally organised via groups such as the WEF and the state has to act in a supportive manner both through its own actions and through the international institutions that it establishes.

As such the world order of economic globalisation also entails a changing *institutional basis* involving a new complex of international institutions, the exercise of US power and influence,[126] and as a new patterns of state activity.[127] International organisations associated with the "G-7 nexus" have entrenched nation-states into the neo-liberal agenda and have tightened this connection at an ideological and policy level via global organisations such as the World Trade Organisation (WTO) and regional groupings, such as the North American Free Trade Association (NAFTA).[128] There have also been efforts at a legal level within and between states to distance economic decision making from democratic accountability or control.[129] In addition to these developments, the role of the state changes by undertaking a "new form of intervention" that privileges private interests and entrepreneurialism.[130] This is achieved by promoting increasing levels of deregulation and privatisation.[131] The state is also increasingly shaped by the material shifts within the global economy, most notably, the expansion in global finance that leads to states competing with each other to provide favourable financial conditions for capital. This leads to the practice of the "competition state", a condition where the state is increasingly shaped by the exigencies of the global economy and is woven into the webs of globalised finance and international institutions.[132]

Ultimately, the emerging framework that stems from these dimensions constitutes a context that influences and disciplines actors within this structure. The social forces of transnational capital sustain this structure by decisively shaping the preceding dimensions of world order. Nevertheless, actors such as corporations and states that are shaped by the practices of the

---

[124] John Gray, *False Dawn: Delusions of Global Capitalism* (London, Granta Books, 1998)
[125] Gray, *False Dawn: Delusions of Global Capitalism*, p. 17.
[126] Gowan, "Neoliberal Cosmopolitanism". In the context of the 1990s see Andrew Bacevich, "Policing Utopia; The Military Imperatives of Globalization" *The National Interest* No. 56, Summer 1999.
[127] Sassen, *Cities in a World Economy* pp.14-18 and Stephen Gill, "Global Structural Change and Multilateralism" in Stephen Gill (ed.), *Globalisation, Democratisation and Multilateralism* (Macmillan, Basingstoke, 1997), pp. 6-14.
[128] Gill, "Global Structural Change and Multilateralism", p. 8.
[129] Stephen Gill, "European Governance and New Constitutionalism: Economic and Monetary Union and Alternatives to Democracy" *New Political Economy*, Vol. 3, No. 1, 1998
[130] Castells, *The Informational City*, p. 25.
[131] Scholte, *Globalisation, a critical introduction*, pp. 34-5.
[132] Cerny, "Paradoxes of the Competition State" and Gill, "Global Structural Change and Multilateralism", p. 13.

competition state actually perpetuate the structures of economic globalisation by simply adapting to what states see as "global 'realities'".[133] In the next chapter I will elaborate the normative and institutional dimensions of this world order. In the remainder of this chapter the material dimension of economic globalisation will be outlined.

The Material Dimension: An Informational Economy

Information technology is central to the processes of social restructuring within the emerging structure of economic globalisation. While capitalism is inherently dynamic in reference to technology and organisation, a globalised economy could not operate without the systematic application of technology and the ability to process vast amounts of information.[134] This activity is evident in communications and computer technology as well as high technology research and development in a rising number of industries. Castells refers to this new activity as the "informational economy" because

> the fundamental source of wealth generation lies in an ability to create new knowledge and apply it to every realm of human activity by means of enhanced technological and organisational procedures of information processing. The informational economy tends to be, in its essence, a global economy; and its structure and logic define, within the emerging world order, a new international division of labour.[135]

All technology is utilised by people and societies with particular aspirations and objectives.[136] In the case of the 1970s onwards it was businesses that in pursuing the 'global option' actually developed and utilised information technology in order to promote productivity and profitability within a context that stretched beyond the constraints of the nation-state.[137] This utilisation of technology has qualitatively changed economic relations across the world leading to "a new form of expansion of the capitalist system".[138] This expansion has reshaped the "limits of the possible" to the extent that it can be regarded as a "third industrial revolution"

---

[133] Cerny, "Paradoxes of the Competition State", p. 251. See also Carnoy and Castells, "Globalization, the Knowledge Society, and the Network State", pp. 5-6.
[134] Carnoy and Castells, "Globalization, the Knowledge Society, and the Network State", p. 5.
[135] Castells "The Informational Economy and the New International Division of Labor", p. 20.
[136] Castells, *The Rise of the Network Society*, p. 5.
[137] Castells, *The Informational City*, p. 29. Castells notes that the US government and the US military played a crucial role in first developing informational information technology. Castells, *The Rise of the Network Society*, pp. 59-60.
[138] Castells and Henderson, "Techno-economic Restructuring, Socio-political Processes and Spatial Transformation", p. 2.

that alters time and space, reshapes political institutions and restructures social relations.[139] Ultimately, a informational economy and a global economy are the different sides of the same coin, which entail the

> structuring of all economic processes on a planetary scale, even if national boundaries and national governments remain essential elements and key actors in international competition. By a global economy we understand one that works in real time as a unit in a worldwide space be it for capital, management, labor, technology, information or markets.[140]

Hence, economic globalisation, in addition to being an ethico-political expression of neo-liberalism, is also a "techno-economic" process that is leading to new forms and spatial patterns of development.[141]

In this sense economic globalisation involves a shift in the organisation of economic practice and the development of new material practices within firms, various industries and societies. Consequently, it is crucial to examine the material aspects that are entwined in the rise of a regime of accumulation that involves an informational-global economy, which creates alterations in the geography of economic activity as well as changes in the patterns of work and consumption for people. There are five main epiphenomenona associated with the development of an informational economy.

First, there is a new international division of labour where the location of industrial enterprise has expanded beyond the triad of North America, Europe and Japan into Latin America and Asia. This new global regime has enormous consequences for those cities or regions that obtain manufacturing industries, as well as those workers and communities that go through the process of de-industrialisation. Linked to this spatial shift is the tendency for products to be produced in different locations, in light of locational and cost advantage, then compiled in a location and then sold in various markets.[142] Hence, not only has trade expanded with economic globalisation,[143] but products of this system are global composites that are not entirely made in one nation-state. The agents of this production process are transnational

---

[139] Phillip Cerny, "Globalisation and the Changing Nature of Collective Action" *International Organisation* 49, 4, Autumn 1995, p. 607. See also Castells, *The Rise of the Network Society*, chp 2.
[140] Manuel Castells and Peter Hall, *Technopoles of the World* (London, Routledge, 1994), p. 3.
[141] Castells and Henderson, "Techno-economic Restructuring, Socio-political Processes and Spatial Transformation", p. 5.
[142] Fredrich Frobel et al, "The New International Division of Labour", *Social Science Information* 17 (1) 1978.
[143] UNDP, *Human Development Report 1999* (New York, Oxford University Press, 1999), p. 25.

corporations (TNCs) which co-ordinate the production process via a network of contractors, assembly plants and regional headquarters.[144]

An interesting effect of this globalisation of production is a clustering of production in certain areas, such as Silicon Valley, Baden-Wurttemberg or Singapore-Jahore.[145] In most cases these clusters, often referred to as "technopoles", are quite concentrated because of their planned nature by either public or private coordination.[146] At first blush this localisation of production seems to contradict the idea of global organisation. Yet globalisation and localisation are compatible in a number of ways, most notably, that competitive firms will follow each other to sources of competitive advantage (be it cheap or high quality labour) and that firms will converge on locations with infrastructure that is crucial to production and transport processes.[147] This process of "glocalisation" is testament to the competitiveness of "globe-spanning actors who descend to roost in (and exploit) particular sub-national regions" and hence the fragmentary effect of economic globalisation.[148] While production processes are dispersed in clusters around the world it is important to emphasize that high technology products and services remain concentrated in Europe (particularly Germany), the USA and Japan.[149]

Second, economic globalisation involves the development of a flexible/just in time regime of accumulation.[150] The Fordist regime of mass standardised production and consumption, which began with Henry Ford's automated car assembly lines in 1914, began to break down "virtually everywhere" by the late 1960s.[151] The emergent regime of accumulation involves "product flexibility", which entails the rise of differentiated products seeking niche markets and "process flexibility", which is typified by an increasingly flexible production process.[152] This involves flexibility of work, the weakening of organised labour, the increasing

---

[144] Castells, *The Rise of the Network Society*, p. 156.
[145] Meric Gertler, "Globality and Locality: The Future of 'Geography' and the Nation-State" in Peter Rimmer (ed.), *Pacific Rim Development* (St Leonards, Allen Unwin, 1997), p. 15. See also Scott, *Regions and the World Economy*, p. 22.
[146] Castells and Hall, *Technopoles of the World*
[147] Gertler, "Globality and Locality", pp. 21-22.
[148] Gertler, "Globality and Locality", p. 21.
[149] G7 countries accounted for 90.5% of high-technology in 1990. Castells, *The Rise of the Network Society*, p. 108.
[150] Scott, *Regions and the World Economy*, pp. 20-2. See Castells, *The Rise of the Network Society*, pp. 152-6 and Scholte, *Globalisation, a critical introduction*, pp. 223-5.
[151] Scott, *Regions and the World Economy*, p. 20.
[152] Castells, *The Rise of the Network Society*, p. 155. See also Cox, *Approaches to World Order*, pp. 298-9 and Jeremy Rifkin, *The End of Work* (New York, GP Putnam's Sons, 1995), pp. 94-5.

'marketisation' of labour and the development of part time and casual work.[153] This regime also includes new methods of team based management (also known as "Toyotism") and "strategic alliances" between firms.[154] Just as Fordism required and developed a set of technologies to support that regime of accumulation, 'post-Fordism' requires information technology to convey information within the economic networks required to operate economic processes in a global environment.

A flexible, informational regime of accumulation is essential to a globalised economy. Many production processes now occur in "global webs" where speed and agility have replaced production lines and stock inventories.[155] Enmeshed in these webs is the TNC that itself has been transformed from a vertical bureaucracy into a horizontal, "network enterprise" that connects "autonomous systems of goals".[156] These operational goals still coalesce around the crucial questions of profitability and market share. It is this transnational production process that gives rise to specialised markets and products. In such global webs, national economies have been integrated into the global circumstance of production where the "global production line" fabricates products composed in many different nations.[157] Ultimately, the interdependence of firms does not exist at a national level as much as at a global level, with products being constituted by components from different countries.[158] This is obviously facilitated by developments, not only in communications technology, but also in transport.

The third epiphenomenon of economic globalisation is the rise of global finance. International flows of money and capital have become increasingly commodified and deterritorialised.[159] Since the US withdrew support for the Bretton-Woods financial system in 1971, finance has become increasingly global and unregulated. The collapse of this regulative mechanism and the subsequent termination of financial regulation in the late 1970s and early 1980s by other western states, created a circumstance where financial activities are "being reintegrated at a global level for the first time since the late 19th century".[160] While the liberalisation of financial

---

[153] Robert Boyer, "State and Market" in Robert Boyer and Daniel Drache (eds.), *States Against Markets* (London, Routledge, 1996), p. 88 and Carnoy and Castells, "Globalization, the Knowledge Society, and the Network State", pp. 6-9.
[154] Castells, *The Rise of the Network Society*, pp. 157-62.
[155] Reich, *The Work of Nations*, p. 89. See also Scott, *Regions and the World Economy*, p. 21.
[156] Castells, *The Rise of the Network Society*, p. 171.
[157] Reich, *The Work of Nations*, chp 10.
[158] Ruggie, "At Home Abroad, Abroad at Home", p. 519.
[159] Sassen, *Losing Control? Sovereignty in the Age of Globalisation*, p. 59 and Scholte, *Globalisation, a critical introduction*, pp. 116-23.
[160] Phillip Cerny, "International Finance and the Erosion of State Policy Capacity" in Peter Gummett (ed.), *Globalisation and Public Policy* (Cheltenham, Edward Elgar, 1996) p. 83.

markets occurred due to the embrace of neo-liberalism. there was also a competitive element to the deregulation of global finance.[161] Once some states deregulated, other states followed in order to avoid losing the increasingly mobile financial capital and firms.[162] The development of global financial markets in the late twentieth century was also shaped by information technologies that enabled "instantaneous transmission, interconnectivity and speed" to the financial flows.[163] As a result, global capital markets expanded from 10-20 billion dollars per day in the 1970s to 1.5 trillion in 1998.[164]

The emergence of global financial markets has seen the dominance of "transnational finance capital", or money capital, over other forms of capital, notably long-term productive capital.[165] Money capital, and the rationale it embodies, ushers in a framework of such speed, scale and extent that there has been a rise in wealth for those directly involved but a significant increase in financial speculation as a major source of instability for the world economy.[166] The "symbol" economy has in many respects become independent of the "real" economy of goods and services[167] leading to tensions between "symbolic" or what Phillip Cerny refers to as "dematerialised" financial markets and the 'real' economy.[168] The 'symbol' economy encapsulates credit and equity flows, as well as exchange rate speculations, while the 'real' economy represents productive enterprise of primary production, manufactures and services. The main implication is that the global economy may not operate in the interests of delivering high quality products and services to fulfil consumers' wants, or providing populations with jobs. This is indicated by the dominance of finance motivated by short-termism, abstractness and fungibility over long-term productive investment.[169] The abstractness of this economic

---

[161] Cerny, "International Finance and the Erosion of State Policy Capacity"

[162] Eric Helleiner, "Freeing Money: Why Have States Been More Willing to Liberalise Capital Controls Than Trade Barriers" *Policy Sciences* ,Volume 27, 1994, p. 301.

[163] Sassen, *Losing Control? Sovereignty in the Age of Globalisation*, p. 43. See also Carnoy and Castells, "Globalization, the Knowledge Society, and the Network State", p. 4.

[164] UNDP, *Human Development Report 1999*, p. 25. Also International bank lending grew from $265 billion in 1975 to $4.2 trillion in 1994 and Foreign direct investment "topped $400 billion in 1997, seven times the level in real terms in the 1970s. Portfolio and other short-term capital flows grew substantially, and now total more than $2 trillion in gross terms, almost three times those in the 1980s".

[165] Gill, "Towards a US-Centred Transnational Hegemony", p. 264. See also Cox, *Approaches to World Order*, pp. 299-301 and Overbeek and Van der Pijl, "Restructuring Capital and Restructuring Hegemony", pp. 19-20.

[166] Gill, "Towards a US-Centred Transnational Hegemony", pp. 264-5 and Carnoy and Castells, "Globalization, the Knowledge Society, and the Network State", p. 4.

[167] Peter Drucker, "The Changed World Economy", *Foreign Affairs* 1986, spring V64, pp. 781-2.

[168] Phillip Cerny, "The Infrastructure of the Infrastructure? Toward 'Embedded Financial Orthodoxy' in the International Political Economy" in Barry Gills & Ronen Palan (eds.), *Transcending the State-Global Divide: The Neostructuralist Agenda in International Relations* (London, Lynne Rienner Publishers, 1994), p. 226.

[169] Furthermore "in this situation, not only will financial markets dominate production and trade, but within the financial sector itself, the most abstract of 'dematerialised' financial markets-those most concerned with the pure trading of complex financial instruments and therefore most detached from productive investment - will predominate." Cerny, "The Infrastructure of the Infrastructure", p. 226.

organisation enables investors to conceive of themselves as acting in a worldwide context instead of a local or national one.[170] The tension between the 'symbol' and the 'real' economy leads to a situation where the "symbol" economy places a significant discipline over both the "real" economy and national governments. As a result, the prevalence of deregulated financial markets creates a general level of financial volatility that can readily impact economic stability and predictability.[171] This is evident in the periodic crises that not only affect business confidence and restrict economic output and employment levels, but actually lead to the profound human suffering evident in the Asian financial crisis of 1998.[172]

Fourth, TNCs are a major component of economic globalisation. While corporations have been existence in various forms for some time, during the post war period corporations became increasingly diversified and transnational in operation. While TNCs first emerged from the US and Europe, Japanese corporations also became actively engaged in transnational production in the 1970s.[173] While TNCs existed before and were a prompt for globalisation they did not become major actors until the 1960s when production rates by TNCs began to exceed the rates of trade growth and by the 1980s the volume of TNC production began to exceed trade flows.[174] Significant waves of mergers and acquisition in the 1980s and 1990s, due in no small part to the increases in global economic competition, have led to increases in the number of extremely large TNCs. The concentration and rise of TNC giants is most pronounced in information technology sectors such as aerospace, film and music, insurance and telecommunications.[175]

The mobility, sheer resources and size of these firms make them crucial actors in the global economy. However, they are important for two other reasons. Firstly there is substantial growth in intra-firm trade of TNCs – that is, between subsidiaries of the same firm. There is evidence that intra-firm trade is growing considerably faster than conventional trade, thereby signifying that "the international division of labour is becoming internalised at the level of the firms" rather than at the level of nations.[176] This is evident by 40 per cent of international

---

[170] Strange, Susan, "The Limits of Politics", *Government and Opposition*, Vol. 30, n. 2, 1995, p. 293.
[171] Scholte, *Globalisation, a critical introduction*, pp. 217-8. See also Ann Capling and Michael Crozier, "Broken on the (Roulette) Wheel", *Arena Magazine*, 25, October-November 1996, p. 29.
[172] UNDP, *Human Development Report 1999*, pp. 37 and 40-1.
[173] Susan, Strange, "States, Firms and Diplomacy", *International Affairs*, Vol. 68 no. 1, 1992, pp. 6-7.
[174] Ruggie, "At Home Abroad, Abroad at Home", p. 518.
[175] Scholte, "Global Capitalism and the State", pp. 437-8.
[176] Ruggie, "At Home Abroad, Abroad at Home", p.519.

trade being conducted by the biggest 350 TNCs during the early 1990s.[177] Secondly, there is the rise of "state-firm" and "firm-firm" diplomacy.[178] State-firm diplomacy stems from firms having to negotiate with states to operate within their territory and states trying to attract firms to operate within the state.[179] Firm-firm diplomacy stems from partnerships that are increasingly taking place between firms either directly competing for market share or having a compatibility of skills to penetrate or exploit opportunities.[180] Both types of diplomacy indicate a new stage in the development of TNCs as distinct and significant actors. It also points to a phase where market actors politically shape the "substantive rationality of the state" due to the power, mobility and scale of these private actors.[181]

The last epiphenomenon is a "new geography of international transactions" evident through the increase in global competition as a fundamental component of a global economy.[182] Although economic activity is increasingly networked and decentralised, the dominance and affluence of the "triad" of Europe, North America and North Asia still shapes flows of capital.[183] The "enduring architecture" of economic history is being overlaid with the "variable geometry" of networks and flows of informational capitalism which are ever changing, mobile and searching out locales of advantage and innovation.[184] This mobility is shaped by global production "playing off one territorial jurisdiction against another so as to maximise reductions in costs" such that life is being transformed by the need for whole societies to attract and to provide a stable and an attractive environment for the mobile webs of capital.[185] As Castells contends while private economic actors are shaped primarily by profitability, political actors, such as nation-states, are primarily concerned about the competitiveness of their jurisdiction in relation to other jurisdictions.[186]

---

[177] Gill, "European Governance and New Constitutionalism", p.7.
[178] Strange, "States, Firms and Diplomacy", pp. 6-7.
[179] Strange, "States, Firms and Diplomacy", pp. 6-7. See also Robert Reich, "Who is Them?" in Kenichi Ohmae (ed.), *The Evolving Global Economy* (Boston, Harvard Business Review, 1995) and Susan, Strange, *Retreat of the State* (Cambridge, Cambridge University Press, 1996), chp 4.
[180] Strange, "States, Firms and Diplomacy", pp. 7-8. See also Castells, *The Rise of the Network Society*, p. 160.
[181] "In the multiple negotiations between national states and global economic actors we can see a new normativity that attaches to the logic of the capital market and that is succeeding in imposing itself on important aspects of national economic policymaking, though, as has been said often, some states are more sovereign than others in these matters." Saskia Sassen, "The State and the New Geography of Power", The London School of Economics, <http://www.lse.ac.uk/events/25_1_00sassen.htm> (Accessed on the 18th of October 2000), p. 10. See also Strange, *Retreat of the State*, chp 4.
[182] Sassen, *Cities in a World Economy*, pp. 10-11.
[183] Sassen, *Cities in a World Economy*, pp. 10-11.
[184] Castells, *The Rise of the Network Society*, p. 145
[185] Cox, *Approaches to World Order*, p. 300.
[186] Castells, *The Rise of the Network Society*, pp. 81, 86-7. See also Cerny, "Globalisation and the Changing Nature of Collective Action"

These developments give rise to the notion of "competitive advantage", which holds to the idea that advantage can be made in a world economy that is constantly changing with segmented markets, differentiated products and new opportunities.[187] However, the nation-state as a whole cannot be competitive in a holistic sense, rather it can be competitive in certain sectors or industries within its territory.[188] While the 'triad' still dominates capital flows it is no longer the case that competition exists only between nation-states nor between firms in the same geographical area;

> What is significant is that the unit of economic accounting, as well as the frame of reference for economic strategies, can no longer be the national economy. Competition is played out globally, not only by the multinational corporations, but also by small and medium-size enterprises that connect directly or indirectly to the world market through their linkages.[189]

An increasing array of economic activity and social life is subject to these global forces of competition. One key example of economic activity is the rise in the trade of services. Activities like shipping, marketing, insurance and tourism account for between one fifth and one quarter of total world trade and are increasingly being organised globally.[190] The pursuit of competitive advantage by firms or government is not guaranteed to improve the standard of living of the entire nation-state. Certain industries or firms may prosper and certain regions may attract a grouping of successful firms, but this does not translate into an economy that, without distribution, will directly benefit the entire society. The development of this competition points to "extreme social unevenness" in economic fortune and the formation of technopoles, "global cities" and other concentrations of innovation and wealth.[191]

This competition is not played out by nation-states but across them by an increasing number of firms that are either directly or indirectly connected to the world market. Nation-states are the *location* for these firms and governments are the actors who shape many of the important components of economic and social infrastructure within the nation-state.[192] "National competitiveness" is not a new issue for governments, but the issue was historically limited to

---

[187] Michael Porter, *The Competitive Advantage of Nations* (London, Macmillian Press, 1990), p. 20.
[188] Porter, *The Competitive Advantage of Nations* , p. 9.
[189] Castells, "The Informational Economy and the New International Division of Labor", pp. 18-9.
[190] These statistics do not include engineering, research and development or data processing. Ruggie, "At Home Abroad, Abroad at Home", p. 513.
[191] Castells and Hall, *Technopoles of the World*, p. 8. For discussion on 'global cities' see Sassen, *Cities in a World Economy*
[192] Porter, *The Competitive Advantage of Nations*, p. 29.

trade with mercantilist aims to encourage exports and discourage imports.[193] However, the context of competitiveness has changed significantly;

> 'Competitiveness' is no longer predominantly a trade issue. Rather it is about creating the right business conditions - infrastructure, deregulation of markets, skilled and educated labour, financial stability - to attract or retain mobile capital.[194]

This means that states must compete with each other for investment. This contrasts to the idea of comparative advantage, which hold to entire nation-states having certain factor advantages such as labour costs or resources endowments that are relatively static. It should be noted that the strategies that nation-states employ to remain competitive differ.[195] Competitiveness does help to explain why certain firms, industries or industry segments locate and stay where they do.[196] Nation-states, or locales within the nation-state, that are less competitive within certain sectors of the global economy will be bypassed by economic actors operating with those sectors.[197]

In an era where competitiveness is spatial, the role of government and the functions of the state are important in attracting and promoting profitable capitalism.[198] As we will see in the next chapter, the structural competitiveness of the global economy shapes the structure and policies of the state just as much as the ideology and sensibility of neo-liberalism.

Economic Globalisation as Social Change

While the transformationalist account of globalisation argues that contemporary globalisation is a long-term process that is multi-causal and non-teleological,[199] the position of critical political economy regards this depiction as an insufficient explanation of the constitution of

---

[193] Vincent Cable, "The Diminished Nation-State: A Study in the Loss of Economic Power" *Daedalus* Volume 124, n. 2 Spring, 1995, p. 32.
[194] Cable, "The Diminished Nation-State", p. 32.
[195] Porter, *The Competitive Advantage of Nations*, p. 9. Nation-states are still critical factors in shaping competitive advantage. In particular the home nation-state is still important to transnational firms despite a globalised economic environment, largely because firms remain shaped by societal state relationships and tend to remain once "locked in" to the nation-state: but only if such arrangements remain a source of competitive advantage. Phillip Cerny, "Globalisation and Other Stories: the Search for a New Paradigm for International Relations" *International Journal* Volume L1, No. 4/ Autumn 1996, p.627. Also see Castells, *The Rise of the Network Society*, pp. 102-6 and Reich, "Who is Them?"
[196] Porter, *The Competitive Advantage of Nations*, pp. 9-10.
[197] Castells, *The Rise of the Network Society*, p. 102.
[198] Porter, *The Competitive Advantage of Nations*, p. 30.
[199] McGrew, "Globalization and Territorial Democracy", p. 10 and Held, et al, *Global Transformations*, pp. 7-10.

contemporary globalisation. While concurring that a long-term process of globalisation is underway, the argument contained in this chapter regards contemporary globalisation as being decisively shaped by the restructuring of capitalism. This social restructuring involves the emergence of a neo-liberal world order that embraces deregulated capitalism, thereby rejecting the international economy established at Bretton Woods that was animated by the aspiration of embedded liberalism. It is no longer the case that "economic transactions are conducted at arm's length between distinct and disjoint national economies", now "although physically separated, these markets are global in that they function as if they were all in the same place, in real time and around the clock".[200] The world economy is now a complicated global system of transnational networks that operate across nation-states.

The material processes examined in this chapter operate within a context of ideas and political institutions that abet deregulated capitalism. Economic globalisation is encoded with rules and ideas that permit transnational economic connections and networks. The argument here is that economic globalisation is not an automatic or inevitable development of capitalism, technology or modernity. Rather, it is a highly political process. The development of a global economy and the increasing influence of business and global markets is no "accident".[201] Economic globalisation is an emerging world order that has been guided by the decisions of investors, corporations, business councils and governments within a context of neo-liberal aspirations and ideals. It has, in words of Richard Falk, been "globalisation from above".[202]

The object of this 'ethico-political' assemblage is to "enhance the rate of profit for private capital, the engine of investment, and thus growth".[203] This neo-liberal assemblage, with its emphasis on profitability and deregulated capitalism, is distanced from the balance between capitalism and social stability that breathed life into embedded liberalism. Consequently, global politics is shaped by an ongoing, indeterminate and tension ridden practice of social restructuring where "the libertarian spirit of capitalism" has "finally found itself at home at the last frontier where organisational networks and information flows dissolve locales and supersede society".[204] In chapter 2 the normative framework and the neo-liberal infrastructure

---

[200] Ruggie, "At Home Abroad, Abroad at Home", p. 517.
[201] Strange, *Retreat of the State*, pp 44-5.
[202] Falk, Richard, "Resisting 'Globalisation-from-above" Through 'Globalisation-from-below' *New Political Economy*, Vol. 2, No. 2 March 1997. See also Cox, *Approaches to World Order*, p. 296.
[203] Castells, *The Informational City*, p. 23.
[204] Castells, *The Informational City*, p. 32.

that supports the "libertarian spirit of capitalism" will be ascertained, thus completing the depiction of the world order of economic globalisation.

CHAPTER TWO – THE POLITICAL INFRASTRUCTURE OF ECONOMIC GLOBALISATION

> The state becomes a transmission belt from the global to the national economy, where heretofore it had acted as the bulwark defending domestic welfare from external disturbances.[1]

The changing social practices of economic globalisation have not emerged from thin air. For economic activity to be organised on a global basis, an appropriate political infrastructure is required to facilitate and legitimate transnational forms of economic activity. At Bretton Woods in 1944 the international economy of the post war period was stabilised by the arrangement of embedded liberalism that linked expanded world trade to welfare promotion at home.[2] By contrast, during the 1970s, the emergence of a more disembedded global economy was paralleled by the development of new institutions, most notably the Group of Seven (G-7),[3] and new roles for the Bretton Woods institutions aimed at promoting the global expansion of market forces. Thus economic globalisation entails the refurbishment of international institutions as well as new forms of public authority and influence on the part of nation-states. Despite claims of hyperglobalisers, nation-states not only continue to exist within economic globalisation, but also perform a crucial role in promoting economic globalisation. Nonetheless, within economic globalisation the overriding purpose of the nation-state differs markedly from earlier conceptions of the state, such as the welfare state, that sought to protect the interests of the domestic constituencies.

Underpinning this emerging political infrastructure is a significant normative and political shift in global politics. According to the critical account of globalisation that I unfurled in the previous chapter, this normative shift was towards neo-liberalism and liberalised capitalism, which in turn was enabled by capitalist social forces and the government of the US. The ideology of neo-liberalism is central to the operation of this emerging institutional context. As

---

[1] Robert Cox, (with Sinclair, Timothy), *Approaches to World Order* (Cambridge, Cambridge University Press, 1996), p. 302

[2] John Ruggie, "International Regimes, Transactions, and Change: Embedded Liberalism in the Post War Period" *International Organisation* 36, 2, Spring 1982.

[3] The G-7 Summits consist of the leaders from Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States. The G-7 was augmented by the G-8 in 1994 when Russia was admitted to most of the various meetings.

such, the infrastructure of the world order of economic globalisation represents a complex formation that involves new norms and ideas that animate the state and international institutions. As a result, this effort to facilitate a free market is a more complex affair than the English attempts to engineer free markets during the nineteenth century.[4] Building the consensus needed to give weight to the late twentieth century processes of deregulation is a difficult task in that it has to operate at a global level in addition to reshaping the role of the nation-state. Despite these challenges, neo-liberal ideas have succeeded in giving a form of unity to these national and global developments.[5]

The purpose of this chapter is to complete a critical understanding of economic globalisation by examining the ways neo-liberalism and deregulated capitalism influence governance. As such, this chapter has two parts. The first explores the unfolding discursive and ideational aspect of neo-liberalism and global capitalism. This part asserts that neo-liberalism is a powerful constitutive influence over government in the cotemporary period. The second part outlines the institutional basis of global and national governance evident in neo-liberal practice. This leads us to foreshadow the problems for liberal aspirations of good government given the tensions between the rationale and practice of neo-liberal governance and the existence of the nation-state. Proponents of transnational neo-liberalism have a difficult balance to strike within the nation-state between advocating a more open economy at the same time as securing genuine public support.

The Neo-liberal Idea

Neo-liberalism, is a philosophy and ideology that supports individualism, free markets and a minimal state.[6] This market-orientated ideology is a revival of classical liberalism that now posits the centrality of economic relationships in global politics. Neo-liberalism is "encoded" in economic globalisation.[7] As James Richardson observes:

> In endorsing globalization the neoliberal elites seek to shape developments in a particular direction. They focus on the economic dimension: the transnational organization of production, the global mobility of capital, and the removal of all barriers to the construction of a world

---

[4] John Gray, *False Dawn: Delusions of Global Capitalism* (London, Granta Books, 1998), chp 1.
[5] James Mittelman, *The Globalisation Syndrome* (Princeton, Princeton Press, 2000), p. 26.
[6] James Richardson, *Contending Liberalisms in World Politics: Ideology and Power* (Boulder, Lynne Rienner, 2001), p. 85.
[7] James Mittelman, "How does Globalisation Work?" in James Mittelman (ed.), *Globalisation: Critical Reflections* (Boulder, Lynne Rienner, 1996)

> market.... Neoliberal doctrine thus drastically narrows the potentially vast array of opportunities that multidimensional globalization appears to open up.[8]

The observation that neo-liberalism is an intrinsic feature of contemporary globalisation entails that the ideas of community, democracy and the state being rearticulated within the context of neo-liberalism and global capitalism. For neo-liberals, the ongoing practice of economic globalisation is evidence of the progress of capitalist society and the triumph of the idea of a 'self'-regulating market. Neo-liberalism is an ideology that promotes profit, economic growth and material progress as the ultimate aims of social life. It asserts that free markets and minimal political involvement are the road to efficiency, economic growth and personal liberty. Neo-liberal ideology is clearly manifest at a global level in institutional forums such as the G-7 and IMF, and during the 1980s, was termed the "Washington consensus": the idea that "minimum government and free markets are achievable and desirable" across the developing world.[9] In the western world the efforts of Ronald Reagan in America and Margaret Thatcher in Britain made neo-liberalism an unfolding social reality.[10]

Neo-liberalism has permeated global politics and shaped the behaviour of various agents through a series of different avenues. Some scholars, such as Robert Cox and Stephen Gill, suggest that there has been a general shift in sensibility and 'common sense' in the many parts of the world where capitalism has significantly permeated into social life. Under the sway of neo-liberalism, capitalism has permeated areas of life once thought to be separate from market mechanisms and therefore has increasingly shaped "social purpose" to the extent that capitalist norms and practices pervade everyday life in a more systematic way than in the era of economic nationalism and embedded liberalism in the period from the 1930s to the 1970s.[11] This cultural spread and deepening of capitalist relationships of neo-liberalism is evident in Gill's notion of a "market civilisation", which entails

> cultural, ideological and mythic forms understood broadly as an ideology or myth of capitalist progress. These representations are associated with the cumulative aspects of market integration and the increasingly expansive structures of accumulation, legitimation, consumption and work.[12]

---

[8] Richardson, *Contending Liberalisms in World Politics*, pp. 94-5.
[9] Gray, *False Dawn*, p. 22.
[10] Gray, *False Dawn*, chp 2.
[11] Stephen Gill, "Globalisation, Market Civilisation, and Disciplinary Neoliberalism", *Millennium*, 1995 Vol. 24, No. 3, p. 399. See also Will Hutton, *The State to Come* (London, Vintage, 1997), p. 223.
[12] Gill, "Globalisation, Market Civilisation, and Disciplinary Neoliberalism", p. 399.

Thus not only does capitalism increasingly shape society, but capitalist processes are increasingly unalloyed by social and cultural constraints inherent in the balance of embedded liberalism.

Before concentrating on the ways that neo-liberalism influences governance, it is essential to examine the social forces that promote, and benefit from, neo-liberalism. According to Richardson, there are three main sources of active support for neo-liberalism. The first source is the "corporate and financial elites and their associates".[13] Leslie Sklair couches this elite in the stronger terms of being the "transnational capitalist class" operating through "social movements for global capitalism".[14] As Sklair, Cox and Gill indicate, social movements are not only counter hegemonic social forces.[15] While for Gramcian inspired scholars 'civil society' is a field where hegemonic forces and ideology are contested by counter hegemonic positions, hegemonic social forces do not stand still. Hegemonic social forces are active in the perpetuation of their hegemony. Social movements that are organised by hegemonic interests, such as business councils and bodies like the WEF, ultimately enable ruling classes and groups to rule by disseminating economic, political and cultural influences across the globe.[16] The social forces that support economic globalisation include an array of "local, national, international and global organisations".[17] Because there are many organisations and social movements that resist neo-liberal globalisation,[18] the organisations that *do* support a world order of global capitalism have to continually endeavour to produce and actively maintain a hegemonic arrangement consistent with neo-liberal aspirations.

People within social movements for global capitalism include corporate executives, "globalising bureaucrats" and "professionals" as well as members of media elites.[19] These elites influence governments around the world, participate within organisations such as the Trilateral Commission and WEF, as well as various business groups and neo-liberal think

---

[13] Richardson, *Contending Liberalisms in World Politics*, p. 169.

[14] Leslie Sklair, "Social Movemen[illegible]pitalism: The Transnational Capitalist Class in Action" *Review of International Political Economy*, 4:[illegible] 3, 514-5.

[15] Cox, *Approaches to World* [illegible] "Hegemony, Consensus and Trilateralism" *Review of International Studies*, (12) 1986 and Sklair, [illegible] lobal Capitalism"

[16] Sklair, "Social Movements [illegible] p. 520.

[17] Sklair, Leslie, "Social Mov[illegible]pitalism", pp. 514-5.

[18] See Richard Falk, "Resis[illegible]-from-above" Through 'Globalisation-from-below' *New Political Economy*, Vol. 2, No. 2, March [illegible]

[19] Sklair, "Social Movements for Global Capitalism", pp. 524-32. See also Robert Cox, "A Perspective on Globalisation" in James Mittelman (ed.) *Globalisation: Critical Reflections* (Boulder, Lynne Rienner, 1996), p. 28 and Stephen Gill, "The New Constitution of the Global Political Economy" a paper delivered at Monash University on the 11th of March 1999.

tanks. Gill and Sklair cite the Trilateral Commission, a private forum incorporating wealthy and powerful individuals from Europe, North America and Japan, as a particularly influential forum for reaching common frameworks of values, ideas and goals.[20] These groups are central to the development of neo-liberal capitalism because they forge links between national elites and develop forms of transnational consciousness.[21] David Korten notes that some members of this "corporate class" forward neo-liberalism because they are driven "by self-interest, others by moral conviction and many simply because they are employed to do so".[22] Neo-liberalism is also perpetuated by policy experts and technocrats in international agencies (such as the World Bank) as well as by governments in many parts of the globe.[23] Aside from these influential groups, there are also globally connected owners, investors, managers and highly paid professionals that benefit from, and are involved with, the expansion of transnational corporations and global finance. Richardson is also mindful of the people, particularly in the western world, who benefit from the existence of this elite and economic system that stems from neo-liberalism, even if such support is "passive" and indirect.[24] This extension of those who benefit from economic globalisation in material terms points to way the prevailing order of capitalism is legitimised by this elite via a "supportive culture and ideology" of consumerism.[25]

As such, a neo-liberal world order extends into the cultural milieu of society as well as its economic practices. A market civilisation penetrates deeply into society via "cultural mechanisms connected with consumerism, education, leisure activity and the construction of individual identities" that, ultimately, normalise market forces and private interests.[26] People are also increasingly embedded in, and disciplined by, the extension of systems of finance and

---

[20] Gill, "Hegemony, Consensus and Trilateralism", p. 215. See also Sklair, "Social Movements for Global Capitalism" and Jan Aart Scholte, *Globalisation, a critical introduction* (Basingstoke, Palgrave, 2000), pp. 154-6.
[21] Sklair, "Social Movements for Global Capitalism", pp. 514-5. See also Stephen Gill, "Towards a US-Centred Transnational Hegemony" in Henk Overbeek (ed.), *Restructuring Hegemony in the Global Political Economy* (London, Routledge, 1993), p. 256 and Scholte, *Globalisation, a critical introduction*, p. 155.
[22] David Korten, *When Corporations Rule the World* (London, Earthscan, 1995), p. 73.
[23] UNDP, *Human Development Report 1999* (New York, Oxford University Press, 1999), p. 29 and UNRISD. *States of Disarray; The Social Effects of Globalisation* (London, Banson, 1995), pp. 25-6.
[24] Richardson, *Contending Liberalisms in World Politics*, p. 142.
[25] Richardson, *Contending Liberalisms in World Politics*, pp. 142-4.
[26] Stephen Gill, "New Constitutionalism, Democratisation and Global Political Economy" *Pacifica Review*, 10 (1), February, 1998, p. 31. Such a culture also affects those who are marginalized from society, via the 'pacification' of banal media consumption - sometimes called "tittytainment". Hans-Peter Martin and Harald Schumann, *The Global Trap* (London, Zed Books, 1997), pp. 4-5. See also Richardson, *Contending Liberalisms in World Politics*, pp. 151-2.

debt into everyday life.[27] Such an environment is aptly described as a "culture of contentment" that is reproduced and unevenly extended across the globe.[28] Such a culture promotes the fulfilment of material desires and protection of private economic interests. It also downplays political involvement in economic decision-making in the public interests in many countries while also reducing social entitlements or protections in most.[29] Increasingly within a neo-liberal shaped context, societal expectations revolve around *individual* living standards, economic growth and consumption via the promotion of capitalist activity to such an extent that "even social inequality is not a major issue".[30] The processes of exchange that proclaim consumption as the highpoint of social life give flesh to the ideology of neo-liberalism and extend the ideas of the market deep into societies across the world.

The second source of neo-liberalism is the US. Not only is the US a major source of the transnational capitalist elite and the culture of consumerism, but also "it can be reasonably said that the neoliberal ascendancy reproduces the characteristic American version of liberalism".[31] However, it must be added that Britain too has a similar legacy in respect to liberalism. Not only were the efforts to make neo-liberalism an unfolding social reality of Margaret Thatcher in Britain contemporaneous to Ronald Reagan in America,[32] but the influence of finance within Britain was a key social force supportive of neo-liberalism.[33] Yet the role of the US remains paramount to the development and maintenance of neo-liberalism:

> So long as it has no geopolitical rival, it can exercise its power by its preferred means, economic and cultural. Reflecting the society's deeply embedded pragmatic but essentially classical-liberal political culture, U.S. governments played the key role in the global shift to neoliberalism and remain committed to keeping the global economic order within its parameters.[34]

The US is an significant source of support for neo-liberalism and economic globalisation. As we will see, while the neo-liberal ascendancy was fostered by the hegemony of the US, the way

---

[27] Stephen Gill, "Finance, Production and Panopticism: Inequality, Risk and Resistance in an Era of Disciplinary Neo-liberalism" in Stephen Gill (ed.) *Globalisation, Democratisation and Multilateralism* (Macmillan, Basingstoke, 1997)

[28] The phrase "culture of contentment" comes from John Kenneth Galbraith's book of the same name. Gill, "Globalisation, Market Civilisation, and Disciplinary Neoliberalism", p. 407.

[29] Gill, "Finance, Production and Panopticism", p. 62.

[30] Martin Carnoy and Manuel Castells, "Globalization, the Knowledge Society, and the Network State: Poulantzas at the Millennium", *Global Networks* 1, 1 (2001), p. 16.

[31] Richardson, *Contending Liberalisms in World Politics*, p. 145.

[32] Gray, John, *False Dawn: Delusions of Global Capitalism*, chp 2.

[33] Hutton, Will, *The State to Come*, chp 3.

[34] Richardson, *Contending Liberalisms in World Politics*, p. 169. For an interesting parallel see Waltz, Kenneth, "Globalisation and Governance", *PS Political Science and Politics*, December 1999. <http://www.apsanet.org/PS/dec99/waltz.htm> (Accessed on the 30th of October 2000)

neo-liberalism has been *enacted* is very much in concert with elites and states in the western world and beyond.

The third source of neo-liberalism is the academic and intellectual derivations of neo-liberal and neo-classical economic thought.[35] During the 1980s neo-classical thought replaced Keynesian economic thought as the dominant economic paradigm in most universities and many think tanks and research centers. More than this, neo-liberal economics became a new orthodoxy,[36] a structure of knowledge that provided moral justification for a new range of policies and institutions. Neo-liberal economists have acted globally as "epistemic communities" that have "effectively structured negotiations" and policy by shaping the overarching moral and rhetorical context, often through reference to 'technical issues'.[37] These economists in many cases began to function as "priesthood" over the public discourse and policy.[38] The language of neo-liberal economics emphasises the importance of economic growth achieved by the development of free markets both domestically and globally. According to this logic, governments ought to liberalise barriers to economic activity, engage in processes of privatisation that shift decisions and assets from the public sector to the private sector and concentrate on the promotion the rule of law in respect to contract law and property rights.[39] This discourse operates with the assumption that if individuals pursue self-interested financial gain, it will also be good for the whole society, thereby enabling "the most efficient and socially optimal allocation of resources".[40] Richardson notes that one of the startling aspects of neo-liberal economics is its universal applicability. Whatever the particular traditions of a country or problems facing it, the neo-classical remedy is always the same: a complete reliance on deregulated markets.[41]

However, far from being a self-regulating utopia, neo-liberal thought actively supports and promotes the interests of the 'transnational capitalist class' and wealthy states. As Richardson

---

[35] Richardson, *Contending Liberalisms in World Politics*, pp. 153-5.
[36] Scholte, *Globalisation, a critical introduction*, p. 35.
[37] Jurgen Habermas, *The Postnational Constellation* (Cambridge, Polity Press, 2001), p. 109. See also John Ruggie, "At Home Abroad, Abroad at Home: International Liberalism and Domestic Stability in the New World Economy", *Millennium*, Vol. 24, No. 3, 1994, p. 525.
[38] Richardson, *Contending Liberalisms in World Politics*, p. 167. Richardson is not alone in seeing the religious tones of neo-liberal economics. See Stephen Gill, "Global Structural Change and Multilateralism" in Stephen Gill (ed.), *Globalisation, Democratisation and Multilateralism* (Basingstoke, Macmillan, 1997). p. 9 and Korten, *When Corporations Rule the World*, p. 69.
[39] Korten, *When Corporations Rule the World*, p. 70.
[40] Korten, *When Corporations Rule the World*, p. 70.
[41] Richardson, *Contending Liberalisms in World Politics*, p. 160.

indicates: neo-liberalism is "an ideology of the powerful".[42] Neo-liberalism has elevated economics to an intellectual justification for policies that promote economic growth and profitability while shielding critiques of the social consequences of these policies.[43] In a sense, the neo-liberal myth of the 'invisible hand' comes undone because the hegemony of transnational capital

> is consistent with the outlook of affluent minorities in the OECD and in the urban elites and new middle classes in the Third World. The current phase of economic globalisation has come to be characterised increasingly not by free competition as idealised in neoclassical theory, but by oligopolistic neo-liberalism: oligopoly and protection for the strong and socialisation of the risks, market discipline for the weak.[44]

While the idea of oligarchy may be too strong, to say that the various interests of transnational capital do not share material and ideological commonalities is too weak. Transnational capital has a significant degree of discursive unanimity and thus dominates public policy discourse. While the world order of economic globalisation is not the consequence of any single actor, it is clear that it is a result of "the actions of many people, corporate bodies, and states, that cumulatively produce new relationships and patterns of behaviour".[45] Neo-liberal and neo-classical economic thought is the *key* relationship that has developed within the context of this emergent world order and is an important foundation for the direction and purpose of economic restructuring since the 1970s. While there have clearly been dissenting voices, neo-liberal discourse has provided the primary justification of polices of deregulation as well as patterns of privilege and distributions of wealth.

Before turning to the ways neo-liberalism shapes governance, it is important to note that neo-liberalism is an ideology that possesses precious little of the breadth or generosity of the broader liberal legacy.[46] Korten savours the irony of neo-liberalism in his phrase "corporate libertarianism" because

---

[42] Richardson, *Contending Liberalisms in World Politics*, p. 90 (pp. 85-90 more generally).
[43] Korten, *When Corporations Rule the World*, pp. 71-2.
[44] Gill, "Globalisation, Market Civilisation, and Disciplinary Neoliberalism", p. 405.
[45] Cox, *Approaches to World Order*, p.296.
[46] Richardson, *Contending Liberalisms in World Politics*, p. 90.

> Its consequence is to place the rights and freedoms of corporations ahead of the rights and freedoms of individuals. Presented as an economic agenda, it is in truth a governance agenda. Who will have the power to rule, and to what end?[47]

Hence, neo-liberalism represents more than a shift in the ideas shaping economic knowledge or public policy. While neo-liberalism is by no means the only idea permeating global politics, it is having a decisive impact on the ways in which power and society are being structured.

Neo-liberal Governance

The transmission of neo-liberalism does not rest merely upon the discursive proliferation of neo-liberal forms of knowledge and sensibility. Economic globalisation is made possible by institutions that are consonant with neo-liberal ideas and norms. As Gill maintains, "ideology is not enough".[48] Not only has there been "an intensification and extension of capitalist relationships" that are pervasive within and between nation-states, but these values and a revived trust in the market have been strengthened by government action in line with efficiency and an open world economy.[49] A certain form of governance is necessary to make the world order of economic globalisation possible. The governance required to enact economic globalisation is inordinately complicated. Not only does governance include both global and more local levels of governance (including the state) but it also includes public and private forms of regulation.[50] At a fundamental level, economic globalisation encompasses "political globalisation".[51] These political processes encompass the existence of institutionalised neo-liberalism at the national and global level, on one hand, and the structural effect of states shaped by global finance and mobile capital,[52] on the other.

Before elaborating the ways neo-liberalism frames governance, it is necessary to examine ways in which governance can be seen to operate. While an often used and contested term,

---

[47] Korten, *When Corporations Rule the World*, p. 74. This view is also held by John Ralston Saul, *The Unconscious Civilisation* (Ringwood, Penguin Books, 1997)

[48] Gill, "New Constitutionalism, Democratisation and Global Political Economy", p. 24.

[49] Ronen, Palan et al, *State Strategies in the Global Economy*, (London, Pinter, 1996), p. 19, see also Gill, "Globalisation, Market Civilisation, and Disciplinary Neoliberalism", p. 399.

[50] Geoffrey Underhill, "State, Market, and Global Political Economy: Genealogy of an (Inter-?) Discipline", *International Affairs* Vol. 76 No. 4, 2000, pp. 815-7.

[51] Phillip Cerny, "Paradoxes of the Competition State: The Dynamics of Political Globalisation", *Government and Opposition*, Vol. 32, n 2, 1997. See also Susan Strange, *Retreat of the State* (Cambridge, Cambridge University Press, 1996), p. xii-xv.

[52] Strange, *Retreat of the State* chp. 4.

governance is best considered the practice of societal organisation.[53] That is to say that the basis of authority and the formulation of public policy are not determined solely within or by the authority of the state. Governance refers to a system of rule: the establishment and operation of broader social institutions and decision-making processes. Governance is not government, but clearly governments exist within the institutional and ideational context of governance.[54] In many ways this explanation of governance is consistent with Gramsci's notion of the 'extended' state, in that it includes both the state apparatus *and* the actors and ideas of civil society.[55] While this realm has long been influenced by structures and ideas that transcend states or societies, it is clear during the twentieth century that governance is being increasingly enacted in a worldwide context.[56] While the field of governance is broad and influenced by a vast array of institutional and political practices, the state plays a significant role within these practices. In the Gramscian sense of the "narrow" state, the state is a distinct institution within fields of broader governance.[57] The state is a territorial institution that weds legitimate authority to law and the dispensation of force with the government acting as the principal policy maker within the state. Lastly, market actors and frameworks also constitute an aspect of governance. Geoffrey Underhill is at pains to note that "power is clearly not the preserve of the formal institutions which pretend to monopolize it, particularly states – private market power is very much part of the pattern of governance we experience".[58]

Consequently, we can see that governance is a complicated practice that includes consensus and coercion, persuasion and law. The actual configuration or pattern of these influences has varied over time.[59] Changes in ideas and norms have been central to changes in patterns of governance. As illustrated in the previous chapter, at any given time there is a contingent set of values and discourse that are coupled with the hegemonic social forces that sustain a world

---

[53] "How can human beings organise their social relations to enhance individual and collective security and physical well-being and to enable the pursuit of common goals and the management of common problems?" Christian Reus-Smit, "Changing Patterns of Governance: From Absolutism to Global Multilateralism" in Albert Paolini et al (eds.), *Between Sovereignty and Global Governance* (London, Macmillian, 1998), p. 3.

[54] Oran Young, *International Governance: Protecting the Environment in a Stateless Society* (Ithaca, Cornell University Press, 1994) p. 17. Oran Young indicates that "governance involves the establishment and operation of social institutions (in the sense of rules of the game that serve to define social practices, assign roles, and guide interactions among the occupants of these roles) capable of resolving conflicts, facilitating co-operation, or, more generally, alleviating collective action problems in a world of interdependent actors" (p. 15).

[55] Antonio Gramsci, *Selections From the Prison Notebooks* edited by Hoare, Quintin and Smith, Geoffrey (New York, International Publishers, 1999[1971]), p. 263.

[56] Reus-Smit, "Changing Patterns of Governance", p. 3. See also Commission on Global Governance, *Our Global Neighbourhood* (Oxford, Oxford University Press, 1995), chp. 1.

[57] Gramsci, *Selections From the Prison Notebooks*, p. 261.

[58] Underhill, "State, Market, and Global Political Economy", p. 817. See also Strange, *Retreat of the State* especially chp. 4.

[59] See Reus-Smit, "Changing Patterns of Governance" and Craig Murphy, *International Organisation and Industrial Change* (Cambridge, Polity Press, 1994)

order.[60] Such a prevailing discourse shapes the social task of governance and public policy and represents in many ways Michel Foucault's idea of a "discursive formation" in that it represents a "regularity (an order, correlations, positions and functionings, transformations)" in respect to authority.[61] Such a discourse transcends the enactment of a strategy chosen by the actors within governance to the extent that it becomes a *rationale*. This pervasiveness does not mean that the discourse or the practices it engenders are inviolate, or the power that is exercised by this discourse is uncontested.[62] Rather, it is a regularity that intersects with other institutions, ideas and practices. Such a regularity represents "a set of ideas and practices with particular conditions of existence, which are more or less institutionalised, but which may be only partially understood by those that they encompass".[63] Consequently, the rise of neo-liberalism has decisively shifted the ways governance is conceived by the actors involved and the policies that have been fashioned by governments.

It is not the case that that this pattern of governance, or the authority agents operating within this framework impart is shaped solely by neo-liberal political thought or neo-classical economic theory. But while there are a few states that detach themselves from economic globalisation, the majority of states are active participants in the neo-liberal and deregulated approach of governance. It is important to recall why neo-liberalism came to prominence since the 1970s. As I have maintained in the previous chapter, neo-liberalism became pre-eminent because capitalist social forces attempting reconsitiute profitable capitalism within the western world supported it. As a result, neo-liberalism since the 1970s has become the prevailing mode of accumulation in many nation-states and has therefore influenced the way economic activity is conducted globally.[64] This has shaped the shift away from embedded liberalism. It is this sense I use the term neo-liberal governance. There is more to neo-liberal governance than neo-liberal philosophy – it "is not the pure, doctrinaire version of libertarian theorists".[65] Rather, neo-liberal governance is a policy-making sensibility inextricably tied up with the political-economic interests shaping governance that enables and in fact, constitutes, economic globalisation.

---

[60] Gill, "Globalisation. Market Civilisation, and Disciplinary Neoliberalism", pp. 402-4 and Cox, *Approaches to World Order*, pp. 98-99.
[61] Michel Foucault, *The Archaeology of Knowledge*, Trans. A.M Sheridan Smith, (London, Travistock, 1972), p. 38.
[62] Gill, "Globalisation. Market Civilisation, and Disciplinary Neoliberalism", p. 400.
[63] Gill, "Globalisation. Market Civilisation, and Disciplinary Neoliberalism", p. 402. See also Cox, *Approaches to World Order*, chp 6.
[64] Manuel Castells, *The Informational City* (Oxford, Blackwell, 1989), pp. 26-8. See also Manuel Castells, "The Informational Economy and the New International Division of Labor" in Martin Carnoy et al (eds.), *The New Global Economy in the Information Age: Reflections On Our Changing World* (Pennsylvania, Pennsylvania University Press, 1993)
[65] Richardson, *Contending Liberalisms in World Politics*, p. 145.

There are two prime political influences tied up with the way neo-liberalism has penetrated into the structures of governance around the world. First, there are the structural features of the world economy, in particular global finance and mobile capital, which while enabled by neo-liberal deregulation, have influenced how *all* states operate. Whether or not states seek to uphold neo-liberalism or the interests of transnational capital, they are nonetheless shaped by a context of deregulation that, once let loose, is difficult to control. As Manuel Castells and Martin Carnoy elucidate, economic globalisation was induced by states attempting to move beyond the crisis of the 1970s, however "once the process of globalization was set in motion, it slipped largely out of control of states".[66] As Phillip Cerny explains: "the genie is out of the bottle" - competition between states for capital moves states inexorably towards polices of deregulation regardless of their ideological commitment to neo-liberalism *per se*.[67] As a result, states have been built into a political economic framework of global markets that dramatically reduces the chances of prosperity for countries left out of this framework and removes effective state control over interest rates and monetary policy as well as reducing the viability of industrial policies.[68] However, far from being the replacement of states by markets, this points to the ways that markets are integral to governance. As Underhill explains, markets and states are always intertwined, "a market without institutions and governance, including some form of judicial authority or arbitration, is inconceivable".[69] In sum: once open global markets are set in motion, they provide an influence over the ways governance is enacted.

Second, it is important to emphasise the ways in which neo-liberalism dovetails with the national interests of the US and the G-7 countries.[70] While the hegemony of US was tied up with embedded liberalism, after the 1970s there was the shift towards neo-liberalism in US policy-making discourse. Yet, policy-makers in other wealthy countries held this discourse as well and were also concerned with the ways increasing economic integration could be managed. So what was occurring during the 1970s, through the formation of the G-7 in particular, was the "broadening of the management of world capitalism" beyond just the US even though the US benefited greatly from broadening and entrenching of a global economy.

---

[66] Carnoy and Castells, "Globalization, the Knowledge Society, and the Network State", p. 6.
[67] Cerny, "Paradoxes of the Competition State", p. 269 and Phillip Cerny, "The Infrastructure of the Infrastructure" in Barry Gills and Ronen Palan (eds.), *Transcending the State-Global Divide: The Neostructuralist Agenda in International Relations* (London, Lynne Rienner Publishers, 1994), p. 238.
[68] Carnoy and Castells, "Globalization, the Knowledge Society, and the Network State", p. 6.
[69] Underhill, "State, Market, and Global Political Economy:", p. 822.
[70] Stephen Gill, "Hegemony, Consensus and Trilateralism" *Review of International Studies*, (12) 1986, p. 208. See also Peter Gowan, "Neoliberal Cosmopolitanism", *New Left Review*, 11, September / October 2001.

After the early 1970's the US and the G-7 states sought to uphold an open global economy free from impediments to their economic prosperity and political influence.[71] Institutions such as the G-7 indicate that other states, most notably Japan and the large European countries, have some interests in common and strong reasons for co-operation: the maintenance and extension of the transnational capitalist elite in these nation-states and the preservation of world order supportive of capital in the face of third world consternation regarding the international economic order.[72] Yet there is also a moral dimension to the US extension of neo-liberalism. As Richardson claims, one of the major reasons the US embraced the proliferation of neo-liberalism was that they thought neo-liberalism was not only in the interests of the US, but the in the interests of everyone, that it "coincided with a certain conception of the international public good".[73]

Consequently, neo-liberalism is a discourse and rationale that is shaped by the aspiration of those social forces seeking an open world economy. This rationale equates this form of governance "with progress and civilisation" as well as 'necessity'.[74] Indeed, a certain conception of globalisation has "become normalized" by this rationale.[75] As such neo-liberal governance can be considered as a form of 'good government' – it is a rationale imbued with moral purpose and influence. Because of this discursive influence, as well as the consensus and coercive attributes supporting this ideology, neo-liberal governance shapes the exercise of power and the characteristics of economic activity and integration. Neo-liberalism is essentially a rationale of governance that entrusts the direction of social life to the "libertarian spirit of capitalism".[76] Thus I contend that *neo-liberal governance is a framework of thought and action, of political interventionism at a local and global level, that is required to make the realisation of this spirit*

---

[71] Richardson, *Contending Liberalisms in World Politics*, pp. 150-1. See also Kees Van der Pijl, "The Sovereignty of Capital Impaired" in Henk Overbeek (ed.), *Restructuring Hegemony in the Global Political Economy* (London, Routledge, 1993) and Ngaire Woods, "International Political Economy in an Age of Globalization" in John Baylis and Steve Smith (eds.), *The Globalization of World Politics* (Second Edition), (Oxford, Oxford University Press, 2001), p. 281.

[72] Gill, "Hegemony, Consensus and Trilateralism", p. 208. See also Kees Van der Pijl, "The Sovereignty of Capital Impaired" in Henk Overbeek (ed.), *Restructuring Hegemony in the Global Political Economy* (London, Routledge, 1993)

[73] Richardson, *Contending Liberalisms in World Politics*, p. 151. See also Bacevich, Andrew, "Policing Utopia; The Military Imperatives of Globalization" *The National Interest* No. 56, Summer 1999.

[74] Gill, "Global Structural Change and Multilateralism", p. 5. See also Gill, "Globalisation, Market Civilisation, and Disciplinary Neoliberalism", p. 406. Gill claims that "relentless thrust of capital on a global scale ... has been accompanied by a neo-liberal, laissez-faire discourse which accords the pursuit of profit something akin to the status of the quest for the holy grail" and any deviation from the orthodoxy, "is viewed as a sign of either madness or heresy, a view which acts to disarm criticism and to subvert the development of alternatives" Stephen Gill, "Theorizing the Interregnum: The Double Movement" in Björn Hettne (ed.), *International Political Economy: Understanding Global Disorder* (London, Zed Books, 1995), p. 66.

[75] Mittelman, *The Globalisation Syndrome*, p. 4.

[76] Castells, Manuel, *The Informational City*, p. 32.

possible by the construction of free markets and deregulation at a global level. As a rationale of governance, neo-liberal political thought has been decisively coloured by the power of the US government, the formation of a transnational capital class and the development of global markets. This rationale infuses an institutional order that is at once national and international as well as public and private, that possesses a *gravitas* that Saskia Sassen refers to as a "new normativity".[77]

This new normative order engenders economic globalisation and is defined by processes of deregulation and liberalisation. *Deregulation* is defined by the removal of 'political' interferences from the operation of markets. Politics is defined in this sense as democratic and social influences that will distort market outcomes. In a deeper sense deregulation is a political process that not only removes social impediments, but also guarantees contracts and property rights.[78] In the context of economic globalisation, "the deregulation of key operations and markets in the financial industry can be seen as a negotiation between nation-based legal regimes and the formation of a consensus among a growing number of states about furthering the world economy".[79] Thus, we can see that neo-liberalism and processes of deregulation are designed to liberate the private resources of capitalists in order to promote an expansion in economic activity.

Liberalisation is the other edge of neo-liberal governance. Liberalisation entails the restriction of the ability of states to protect domestic interests or capital in respect to trade and capital movements.[80] While processes of liberalisation are far from complete with states still possessing various means to protect particular domestic constituencies,[81] Sassen describes the implication of these processes as "denationalisation": where processes of neo-liberalism delimit and transform state's policy-making such that international financial institutions or networks of private market authorities shape policies that were hitherto domestic matters.[82] Economic globalisation is defined by an expansion of economic activity across territorial borders that is made possible by the "negative integration" of the processes of deregulation

---

[77] Saskia Sassen, "The State and the New Geography of Power" The London School of Economics, <http://www.lse.ac.uk/events/25_1_00sassen.htm> (Accessed on the 18th of October 2000), p. 2.
[78] Saskia Sassen, *Globalisation and its Discontents* (New York, New Press, 1998), p. 199.
[79] Sassen, *Globalisation and its Discontents*, p. 199.
[80] Scholte, *Globalisation, a critical introduction*, pp. 103-4.
[81] Scott, *Regions and the World Economy*, p. 13 and Scholte, *Globalisation, a critical introduction*, p. 104.
[82] Sassen, *Globalisation and its Discontents*, pp. 199-200. See also Sassen, "The State and the New Geography of Power" and Scholte, *Globalisation, a critical introduction*, chp 6.

and liberalisation.[83] The consequences of this development are far reaching. Not only does it disembed key aspects of authority away from the state and shift them towards economic concerns,[84] but we can also see that these new forms of governance and 'good government' are entrenched by ongoing political-economic practice. As Sassen notes, through "the multiple negotiations between national states and global economic actors we can see a new normativity that attaches to the logic of the capital market and that is succeeding in imposing itself on important aspects of national economic policy making".[85] Capital is in the process of being 'liberated' from both social control and from territorial restriction.

The realisation of this 'libertarian spirit' and the acts of deregulation and liberalisation, are not automatic or spontaneous. It is *enforced* by political action: "whereas capital tends towards universality, it cannot operate outside of or beyond the political context, and involves planning, legitimation, and use of the coercive capacities of the state".[86] As Karl Polanyi distinctively opined, a free market is "opened and kept open by an enormous increase in continuous, centrally organised and controlled interventionism".[87] Yet this 'political context' is not limited to just the state within the context of the contemporary globalisation, it also provides a rationale that reshapes the global economic infrastructure and rearticulates the role of the state within this infrastructure. As a result, neo-liberal governance not only embodies a new purpose for government, it also reshapes global governance and embodies a new global economic architecture.

Neo-liberal Economic Architecture

The global economic architecture is the collection of actors and frameworks, both public and private, associated with the organisation and coordination of economic relationships across the world. These actors and frameworks engage in the ongoing development of shared understandings and rules that relate to global trade, finance and investment. While the global economic architecture has become more complicated since the 1970s, the most significant change has been the way in which the formal agencies of the global economic architecture

---

[83] Habermas, *The Postnational Constellation*, p. 97.
[84] Ruggie, "At Home Abroad, Abroad at Home", p. 525.
[85] Sassen, "The State and the New Geography of Power", p. 10.
[86] Gill, "Globalisation, Market Civilisation, and Disciplinary Neoliberalism", p. 422.
[87] Karl Polanyi, *The Great Transformation* (Boston, Beacon Press, 1957), p. 140.

now actively intervene and 'discipline' individual governments.[88] The original intent of the Bretton woods system was to enable states to cooperate on economic matters in order to promote prosperity and social stability and avoid the calamity of the great depression.[89] However, neo-liberal efforts to restructure economic activity and enable global market exchanges have required the 'enormous' political intervention that Polanyi referred to in the context of the nineteenth century to be stretched to a global level. Gill indicates that the neo-liberal form of governance involves the *exercise* of power in a disciplinary sense. Consequently, "disciplinary neo-liberalism is a concrete form of structural and behavioural power" that while "not necessarily universal or consistent... [is] bureaucratised and institutionalised" in form not just of markets but also by a range of public and private actors.[90] These actors include international financial institutions, such as the World Bank and the IMF, as well as private forms of governance, such as credit rating agencies. The discipline of neo-liberal governance also intervenes in the operation of state policy and narrows policy alternatives.[91] As Peter Gowan's provocative notion of "neoliberal cosmopolitanism" indicates; the intent of this governance is not a world government but rather "disciplinary regimes – characteristically dubbed, in the oleaginous jargon of the period, 'global governance' – reaching deep into the economic, social and political life of the states subject to it, while safeguarding international flows of finance and trade".[92]

The broad approach of critical political economy suggests that this architecture, including the state, has shifted decisively since the 1970s. This architecture is designed to constitute a transnational business friendly environment – to ensure investor credibility, to allow governments to maximise economic growth in their territories and to allow "the owners of capital [to] determine how production takes place".[93] As Sassen maintains, what has changed is

> *the particular content of this new regime*, which strengthens the advantages of certain types of economic actors and weakens those of others. The hegemony of neoliberal concepts of economic relations with its strong emphasis on markets, deregulation, and free international trade has in the influenced policy in the 1980s in the United States and Great Britain and now increasingly also in

---

[88] See Susan George, "A Short History of Neo-liberalism: Twenty Years of Elite Economics and Emerging Opportunities for Structural Change" Conference on Economic Sovereignty in a Globalising World – Bangkok, 24-26 March 1999. <http://www.millennium-round.org/> (Accessed the 15th August 1999)
[89] Ruggie, "At Home Abroad, Abroad at Home", p. 516 and Ruggie, "International Regimes, Transactions, and Change:"
[90] Gill, "Globalisation, Market Civilisation, and Disciplinary Neoliberalism", pp. 411-2.
[91] Gill, "Globalisation, Market Civilisation, and Disciplinary Neoliberalism", pp. 410-2.
[92] Gowan, "Neoliberal Cosmopolitanism", pp. 79-80.
[93] Gill, "New Constitutionalism, Democratisation and Global Political Economy", p. 25.

> continental Europe. This has contributed to the formation of transnational legal regimes that are centred in Western economic concepts of contract and property rights... [that] has spread to the developing world.[94]

This new framework can be understood as occurring through a process of "*coercive socialisation*" which involves "a range of external pressures (both state-based and market-based) and a variety of transmission mechanisms between the external and the domestic".[95] From the perspective of critical political economy there are four mutually reinforcing mechanisms whereby neo-liberal governance shapes the global economic architecture. First, there is the field of influence and discipline of the formal international financial institutions such as the IMF. Second, Gill's conception of "new constitutionalism" indicates the reconfiguration of law.[96] Third, there is the emergence of private forms of governance, or what Sassen refers to as a "private institutional order".[97] Fourth, there is the policy direction of the nation-state indicated in the practice of the competition state.

International Financial Institutions

International financial institutions play a central role in the exercise of neo-liberal governance. An important development in the post 1975 global economic architecture was a shift in role and function of the Bretton Woods institutions. By the 1980s, the institutions created in 1944 still existed but the function of these institutions in the world economy had changed.[98] The World Bank had become focused on making large conditional loans to developing countries. Although the GATT had failed to stop forms of protectionism during the 1970s, or satisfy developing countries, trade negotiations created the World Trade Organization (WTO) that could better enforce tighter trade rules aimed at establishing free trade to all types of products and services, including the complicated areas of agriculture and intellectual property rights. The primary purpose of the IMF shifted with the debt crisis of the 1980s. The debt crisis meant that the IMF's role in the world economy revolved around the "surveillance" of the economic performance of economies and ensured that indebted countries undertook 'structural adjustment' in their economies as a form of 'conditionality' required for receiving

---

[94] Sassen, *Globalisation and its Discontents*, pp. xxvii-xxviii. Emphasis added. See also Allen Scott, *Regions and the World Economy* (Oxford, Oxford University Press, 1998), pp. 138-9.
[95] Andrew Hurrell and Ngaire Woods, "Globalisation and Inequality", *Millennium*, Vol. 24, No. 3, 1995, p. 457. Italics in original.
[96] Stephen Gill, "European Governance and New Constitutionalism: Economic and Monetary Union and Alternatives to Democracy" *New Political Economy*, Vol. 3, No. 1, 1998.
[97] Sassen, "The State and the New Geography of Power", p. 2.
[98] Woods, "International Political Economy in an Age of Globalization", p. 282.

funds.[99] Structural adjustment entailed measures aimed at the reduction of both inflation and government expenditure in addition to promoting neo-liberal policies that transformed "the role of the government in the economy" towards policies that included "trade liberalization, privatization and deregulation".[100] The highly interventionist influence of these institutions and the discipline of conditionality have both served to entrench neo-liberal governance. Not only are states being increasingly shaped by neo-liberal policies but they are also increasingly accountable to "constituencies" that are external to the state.[101]

In addition to the shift in the Bretton Woods institutions there are two other pertinent aspects of the formal global economic architecture. First, there was the rise of regional economic organisations (otherwise known as 'trade blocs'). While shaped by factors other than economics,[102] these blocs have been important components of a shift towards enmeshing states within free trade regimes.[103] Although not a regional grouping, the Organisation for Economic Cooperation and Development (OECD) is an institution limited to the 29 wealthiest states and has emerged as another portion of the neo-liberal framework. This organisation has played an important role in promoting regimes such as the Multilateral Agreement on Investment (MAI), a regime that protects the rights of investors, in addition to possessing "a considerable role in policy surveillance" over a wide range of environmental, economic and social issues.[104] Second, there has been the creation and subsequent development of the G-7 institution. Although it is often decried as little more than a glorified photo opportunity, the G-7 represents a significant site for 'informal' consensus formation by leaders of the world's powerful states.[105] The G-7 mirrors the development of a globally orientated capitalist elite in the shape of a dynamic but loose form of management of the form of ongoing global integration.[106] While in the early 1990s the G-7 "thought that globalisation held no fears for the G7 countries themselves", by the late 1990s it became clear that "above

---

[99] Martin Hewson and Timothy Sinclair, "The Emergence of Global Governance Theory" in Martin Hewson, and Timothy Sinclair (eds.), *Approaches to Global Governance Theory* (Albany, State University of New York Press, 1999), p. 17 and Scholte, *Globalisation, a critical introduction*, p. 149.

[100] Woods, "International Political Economy in an Age of Globalization", p. 282.

[101] Scholte, *Globalisation, a critical introduction*, pp. 138-9. Hurrell and Woods, "Globalisation and Inequality, p. 463.

[102] See Peter Katzenstein and Takashi Shiraishi, *Network Power: Japan and Asia* (Ithaca, Cornell University Press, 1996)

[103] These regional organisations include Asia Pacific Economic Cooperation (APEC) and the North American Free Trade Agreement (NAFTA). The European Union (EU) is a deeper and more complex international institution that involves a conflict between "two alternative political-economic projects, a free trade and a supranational welfare state-building project", Wolfgang Streeck, "Public Power Beyond the Nation State" in Robert Boyer and Daniel Drache (eds.), *States Against Markets* (London, Routledge, 1996), p. 301.

[104] Scholte, *Globalisation, a critical introduction*, p. 149.

[105] Nicholas Bayne, "The G7 Summit and the Reform of Global Institutions" *Government and Opposition* 30, No. 4 (Autumn 1995)

[106] Cox, *Approaches to World Order*, pp. 301-2.

all, they had to counter public fears about globalisation".[107] As such, the G-7s management of global integration encompasses both the cooperation of its political leaders and the publicly legitimising economic globalisation. The G-7 also embodies a site for policy deliberation and institution building. During the 1990s, the G-7 engaged in a process of international institutional reform (including the formation of the G-8 and G-20). The G-7 not only recommended reforms to the UN,[108] but also created its own institutions to respond to emerging problems and promote "financial stability".[109] The G-7/8 system of institutions is a powerful hub of policy coordination and consensus building involving the leaders of powerful states.

These processes of consensus formation are especially important from the perspective of critical political economy because the international financial institutions perpetuate the ideas and discourse of neo-liberal governance. In particular, while the G-8 system attempts to coordinate policies among the G-8 states – often with mixed results and various disagreements and tensions[110] – in doing so it binds states and institutions into a mutually interlocking set of practices and ideologies. In addition, however, authors from a critical perspective make the point that there are connections between the G-8 and the international financial institutions, both in the terms of the 'jurisdiction' of these institutions as well as their membership. The strength of these connections and overlapping memberships is encapsulated by Cox's term "*nebuleuse*", the notion of "governance without government"[111], or a loose unity between these international organisations evident in Gill's idea of the "G-7 nexus".[112] In addition these institutions are largely unaccountable. In particular they are not subject to regular, transparent oversight by democratic procedures or by non-capitalist social

---

[107] Nicholas Bayne, "The G8 and the Globalisation Challenge" London School of Economics and Political Science 2000 <http://www.g7.utoronto.ca/g7/scholar/bayne20000713/> (Accessed on the 4th of January 2002)
[108] Bayne, Nicholas, "The G7 Summit and the Reform of Global Institutions", pp. 506-7.
[109] John Kirton, "What is the G20?" <http://www.g7.utoronto.ca/g7/g20/g20whatisit.html> (Accessed on the 8th of January 2002) Recently, G-7 has sought to head off criticism that it is an unrepresentative clique by developing the new Group of Twenty (G-20) forum of finance ministers and central bank governors was formally created at the September 25, 1999 meeting of the G7 Finance Ministers. According to the G7 it was created "as a new mechanism for informal dialogue in the framework of the Bretton Woods institutional system, to broaden the dialogue on key economic and financial policy issues among systemically significant economies and to promote cooperation to achieve stable and sustainable world growth that benefits all" G-7, "Statement of G-7 Finance Ministers and Central Bank Governors", September 25, 1999, Washington, D.C. <http://www.library.utoronto.ca/g7/finance/fm992509state.htm> (Accessed on the 8th of January 2002)
[110] Gill, "Global Structural Change and Multilateralism", pp. 10-1. See also Nicholas Bayne's analysis: Bayne, "The G7 Summit and the Reform of Global Institutions"
[111] Cox, *Approaches to World Order*, p. 301.
[112] Gill, "Global Structural Change and Multilateralism", pp. 8-9.

movements[113] – despite increases in openness during the course of 1990's.[114] Cox refers to the institutions that support global capitalism as undertaking a "transnational process of consensus formation among the official caretakers of the global economy".[115] Within the broader context of global governance, it appears that the operation of formal international financial institutions are focused on economic issues and isolate them from strategic or social goals. According to many observers they do so to such an extent that they dominate and are more powerful than other regimes and organisations, including the UN.[116]

Reconfiguration of Law

The promotion of capitalist economic activity is protected by a second element of neo-liberal governance; the reconfiguration of law. While liberalism and capitalism have always entailed some form of separation between 'politics' and 'economics', Gill refers to this recent reconfiguration of law as "new constitutionalism" – a practice that legally entrenches this separation.[117] As Gill explains, "in neo-liberal discourse... private forms of power and authority in capitalist society are only fully stabilised when questions of economic rule (e.g. workplace organisation, the rights of investors) are removed from politics (that is from democracy)".[118] This "politico-legal dimension" incorporates international elements and domestic elements that entail a legal framework that immerses states within a new context that filters out influences to government except market ones.[119] This observation is mirrored by Sassen who claims that governments have responded to "new claims on national states to guarantee the domestic and global rights of capital" with "new forms of legality".[120] This legal shift separates "economic policies from broad political accountability in order to make governments more responsive to the discipline of market forces and correspondingly less responsive to popular-democratic forces and processes".[121] Examples of this include

---

[113] Cox, *Approaches to World Order*, p. 301 and Philip McMichael, "Sleepless since Seattle: what is the WTO about?" *Review of international Political Economy* 7:3 Autumn 2000, p. 467.
[114] Scholte points to Article V of the Marrakesh Agreement of the WTO as evidence of the ways international financial institutions are opening up to NGO's. Scholte, *Globalisation, a critical introduction*, p. 154.
[115] Cox, *Approaches to World Order*, p. 301.
[116] Cox, *Approaches to World Order*, p. 309, and Bayne, Nicholas, "The G7 Summit and the Reform of Global Institutions", pp. 506-7, Gowan, Peter, "Neoliberal Cosmopolitanism", p. 84 and Palan et al., *State Strategies in the Global Economy*, pp. 36-7,
[117] Gill, "New Constitutionalism, Democratisation and Global Political Economy", p. 23.
[118] Gill, "New Constitutionalism, Democratisation and Global Political Economy", p. 23.
[119] Gill, "European Governance and New Constitutionalism", p. 5.
[120] Saskia Sassen, *Globalisation and its Discontents*, p. xxvii. See also Saskia Sassen, *Losing Control? Sovereignty in the Age of Globalisation* (New York, Columbia University Press, 1995), pp. 25-8.
[121] Gill, "European Governance and New Constitutionalism", p. 5.

> the provision of a quasi-constitutional framework for the reconstitution of the legal rights, prerogatives and freedom of movement for capital on a world scale. Here we have in mind frameworks such as NAFTA, GATT, the European Union's Maastricht accords, as well as other initiatives such as the introduction of constitutional amendments requiring balanced budgets and autonomous central banks (with zero inflation targets) and other means whereby important areas of economic policy are taken out of the control of (elected) governments.[122]

New constitutionalism not only entails a shift in the character of international financial institutions, as discussed earlier, but also includes domestic institutions. Sassen elaborates with reference to central banks:

> Central Banks are national institutions, concerned with national matters. Yet today, over the last decade, they have become the institutional home within the national state for policies that are necessary to further the development of a global capital market, and indeed, more generally, a global economic system.[123]

New constitutionalism bestows special rights on capital with the aim of maintaining and 'locking in' government credibility in terms of satisfying financial market actors and frameworks.[124] These types of legal arrangements are most prevalent within the western world but are extending across the world.

The aim of this legal practice is twofold. On one hand, it is to protect investors' rights and thereby ensure markets are able to promote profitability and economic growth. On the other, it is to safeguard the processes of deregulation from potential social manipulation or reversals. The emergence of forms of new constitutionalism points to a protective phase of neo-liberal governance. It also points to the realisation that neo-liberalism and economic globalisation are political processes that need to be secured from public interference. This development indicates a deepening of new restraints on the state beyond the discipline of financial markets and the negotiations of TNC's. Gill and Sassen are pointing to a dramatic reshaping of state law to the long-term advantage of a relatively small but powerful group of people at the helm of transnational capital as well as those who have made investments. In addition, the position of capitalists is also protected by ensuring that the rights of investors are protected from

---

[122] Gill, Stephen, "Global Structural Change and Multilateralism", p. 11.
[123] Sassen, "The State and the New Geography of Power", p. 6.
[124] Gill, "European Governance and New Constitutionalism:", p. 5.

democratic consideration by various international and regional bodies aside from the state.[125] This context ultimately attempts to establish a 'secure' and predictable basis for firms operating across the world.

Private Governance

While there has been a significant shift in the formal and public side of governance, there has also been an increase the influence of private forms of governance. The third way in which neo-liberal governance infuses the global economic architecture is through the presence of private or non-official actors and frameworks that have come to play a decisive role in the way governance is conducted. Sassen regards these new processes as a "*privatized institutional framework*":

> Economic globalization has been accompanied by the creation of new legal regimes and legal practices and the expansion and renovation of some older forms that bypass national legal systems. This is evident in the rising importance of international commercial arbitration and the variety of institutions which fulfil rating and advisory functions that have become essential for the operation of the global economy.[126]

While 'non-state actors' and the myriad of different actors within 'global civil society' have been increasing prominent in the formation of global politics and the formulation of policy,[127] the emphasis here is on private bodies that have direct influence or authority in regards to the processes of governance.[128] These bodies are also crucial to the functioning of a significantly deregulated global economy.

Examples of the importance of private frameworks of governance include the expansion in "international commercial arbitration" as a way of resolving commercial disputes that are transnational in 'jurisdiction',[129] and the "emergence of self-regulation in economic sectors" that are either "dominated by a limited number of firms" or dependent on specialised or

---

[125] This international context is also referred to as the "internationalising of policy regimes" by" Bob Jessop, "Capitalism and its Future: Remarks on Regulation, Government and Governance" *Review of International Political Economy*, Vol. 4, No. 3, 1997.p. 575, "New Multilateralism" by Phillip Cerny, "Paradoxes of the Competition State: The Dynamics of Political Globalisation", p. 257 and "new legal regimes" by Sassen, *Losing Control? Sovereignty in the Age of Globalisation*, pp. 12-14.
[126] Sassen, "The State and the New Geography of Power", p. 11. Italics added.
[127] Scholte, *Globalisation, a critical introduction*, pp. 151-6. See also Obrien, Robert et al., *Contesting Global Governance* (Cambridge, Cambridge University Press, 2000)
[128] Strange, *Retreat of the State*, chp 6.
[129] Sassen, *Losing Control? Sovereignty in the Age of Globalisation*, pp. 14-5.

technical knowledge.[130] However, the most prominent of private actors are credit rating agencies, organisations that are involved in "credit research" to determine the risk and creditworthiness of firms and governments.[131] While groups like Moody's Investors Service and Standard & Poor's Ratings Group have been around for some time, the information these groups generate and disseminate exercise a "considerable if subtle regulatory authority" on the operation of both firms and states.[132] Such agencies can be conceived as "private makers of global public policy" because of the global extent of their analysis and the uniform standard of calculation that shapes different firms and states in similar ways.[133] Not only are states shaped by private influences that are external to the state,[134] but they are also increasingly influenced by market influences and market thinking.[135] As such, private forms of governance reinforce and expand the 'discipline of the market'.

The Competition State

The last element of neo-liberal governance is a new *type* of state that manifests the 'libertarian spirit' of capitalism. For economic globalisation to endure, states have to operate in a manner that both enforces neo-liberalism *and* adapts to a world shaped by deregulation and competition. Ultimately, economic globalisation is held together by an ethos of governance that operates at a global level and simultaneously holds nation-states apart – in a competitive stance with one another – as well as together within a form of ideological consensus and coherence. This new form of state has become referred to as the competition state by Philip Cerny and other scholars.[136] According to Cerny, the policy orientation of the competition state represents a shift away from the welfare state to the maxim that "the main task or function of the contemporary state is the promotion of economic activities, whether at home or abroad, which make firms and sectors located within the territory of the state competitive in international markets".[137] The competition state represents a strategy that seeks to push deregulating markets with the aim of attracting mobile capital and maintaining market

---

[130] Sassen, "The State and the New Geography of Power", p. 15.
[131] Timothy Sinclair, "Between State and Market: Hegemony and Institutions of Collective Action Under Conditions of International Capital Mobility" *Policy Sciences* 27, 1994, pp. 451-2.
[132] Scholte, *Globalisation, a critical introduction*, p. 155. See also Gill, "Global Structural Change and Multilateralism", p. 8.
[133] Sinclair, "Between State and Market", pp. 451-55.
[134] Scholte, *Globalisation, a critical introduction*, pp. 138-40. See also Strange, *Retreat of the State*, chp. 6.
[135] Sinclair, "Between State and Market", p. 455.
[136] Phillip Cerny, "What Next For the State?" in Eleonore Kofman and Gillian Youngs (eds.), *Globalisation: Theory and Practice* (London, Pinter, 1996) See also Palan et al., *State Strategies in the Global Economy* and Gill, "Global Structural Change and Multilateralism", pp. 13-4.
[137] Cerny, "What Next For the State?", p. 124.

creditability. As such the competitiveness of the national economy within global markets becomes the critical focus for government. It is important to recall that economic globalisation was essentially developed by western states as a way out of the crisis in profitable capitalism during the 1970s.[138] Subsequent processes of deregulation and competitiveness are essential for pushing economic globalisation forward. According to Cerny, economic globalisation involves a process of "structuration" whereby agents and structure continually reshape the other: as states adapt to the structures of the global economy by competing and deregulating they entrench economic globalisation.[139] The strategy of the competition state is necessarily tied into economic globalisation.[140]

As we have seen, the state is also enmeshed with the public networks of influence and discipline of formal international financial institutions, the principles of new constitutionalism, as well as the private networks of credit rating agencies. But these networks are limited with respect to the degree to which they can actually "carry out" the regulatory arbitrage of neo-liberal governance.[141] These mutually interlocking material, institutional and ideational frameworks constitute and shape the state. There is also a difference between states of the G-7, and possibly the OECD, that actively advocate and enforce neo-liberal governance and many states that are merely attempting to adapt to economic globalisation and the forms of knowledge that are often imposed on them. In addition, there are wide ranges of strategies whereby different states attempt to be competitive.[142] My understanding of the term competition state reflects this multifaceted and variegated understanding of the type of state that underpins, and is entwined with, the global economy.

Before turning to the ways in which states have embraced neo-liberal governance and adapted to economic globalisation, it is necessary to examine the activist role that some states perform with regard to neo-liberal governance. It is important to emphasise that the powerful states that are represented in the G-7 and OECD forums, particularly the US, play an important role in promoting economic globalisation via their supremacy in international financial institutions and various regimes and alliances.[143] While these states compete economically for investment,

---

[138] Carnoy and Castells, "Globalization, the Knowledge Society, and the Network State", p. 6.
[139] Cerny, "Paradoxes of the Competition State", p. 253. The idea of "structuration" originates from Anthony Giddens. See Philip Cerny, *The Architecture of Politics* (London, Sage, 1990)
[140] Sassen, "The State and the New Geography of Power", pp. 2-3 and Palan et al., *State Strategies in the Global Economy*, p. 32.
[141] Scott, *Regions and the World Economy*, p. 139.
[142] Palan, et al., *State Strategies in the Global Economy*
[143] Gowan, "Neoliberal Cosmopolitanism", pp. 82-6. See also Strange, *Retreat of the State*, p. xiv.

they have "clearly broken with power politics as their governing impulse".[144] The consensus and coherence of these states is extremely tight. However, this coherence and shared interest does not rule out disagreement. As Gill explains, while "these forces are committed to the reproduction of the global capitalist economic order this does not mean that agreement on the most appropriate means to this end is easily forthcoming".[145] Ultimately, economic globalisation is backed up by the power and influence of the world's commanding states.[146] Nevertheless, states around the world play an important role in supporting economic globalisation by backing this process with a popular legitimacy that international agencies lack, an authoritative law making power that is necessary for the processes of new constitutionalism and, ultimately, military power.[147] Gowan claims that despite the preponderance of the US and G-7 states and the influence of international financial institutions, states "remain crucial cornerstones of the world order" not just because of their role in promoting liberalisation, but because "their role becomes above all that of maintaining political control over the populations within their jurisdictions".[148]

Hence, from the perspective of critical political economy the importance of the term competition state stems from the observation that there is shift in the purpose of the state and that states have been neither been bystanders nor powerless within economic globalisation. It is important to underline that the state *is not* disappearing within the processes of economic globalisation. Rather than bringing about the end of the state, economic globalisation requires "the actual expansion of *de facto* state intervention and regulation in the name of competitiveness and marketization".[149] What is occurring is a shift in function and moral purpose underpinning most states. The "new normativity" that Sassen emphasises has come "from the world of private power yet installs itself in the public realm and in so doing contributes to de-nationalize what had historically been constructed as national state agendas, notably the Keynesian agenda".[150] Consequently, the competition state fulfils a "new form of intervention" that opens the way for a resolution of the crisis in the world order of embedded liberalism.[151] The competition state entails more than a shift of power within the state towards

---

[144] Gowan, "Neoliberal Cosmopolitanism", p. 81.
[145] Gill, "Global Structural Change and Multilateralism", pp. 8-9.
[146] Bacevich, "Policing Utopia"
[147] Sassen, "The State and the New Geography of Power", p. 4.
[148] Gowan, "Neoliberal Cosmopolitanism", p. 90.
[149] Cerny, "Paradoxes of the Competition State: The Dynamics of Political Globalisation", p. 251. See also Sassen, *Losing Control? Sovereignty in the Age of Globalisation*, p. 22.
[150] Sassen, "The State and the New Geography of Power", p. 2.
[151] Castells, *The Informational City*, p. 25.

"those agencies in closest touch with the global economy".[152] It entails a restructured function and rationale across the entire apparatus of many states.

Neo-liberalism and the Competition State

The rationale of neo-liberal governance is evident in states that engage in processes of deregulation and liberalisation in order to enable global market forces to promote economic growth. We can see that many states are being "internationalised" - locked into global economic competition and neo-liberal practices at a global level, as well as being increasingly "networked" with other states and international organisations, such that policy-making on various issues (including economics, human rights and environmental policies) is increasingly shared.[153] This cooperation is enabled by the existence of international organisations that coordinate and enforce such a framework that in turn is only possible by states relinquishing their authority through the "unbundling of sovereignty" to such organisations and regimes.[154] Nevertheless, the nature of the prevailing form of governance is extremely invasive. As Sassen claims, neo-liberal forms of governance are producing a context of "denationalisation" such that international financial institutions and global markets increasingly shape those aspects of policy-making that were once regarded as domestic matters.[155] In addition, while the post war agreement of embedded liberalism and the welfare state balanced expanded international trade between states with prosperity throughout society, the competition state does not seek this balance. Rather than protecting the welfare of their population, many states are engaged in an effort to prioritise the pursuit of creditability in global markets in order to obtain economic growth.[156] Therefore, the state concentrates on the promotion of economic growth by opening up the state to the global economy.[157]

Under the aegis of the competition state the nation-state becomes a crucial part of economic globalisation because in order to forge a single, increasingly deregulated world economy the

---

[152] Cox, *Approaches to World Order*, p. 302. Sassen, *Globalisation and its Discontents*, p. 198.
[153] Cox, *Approaches to World Order*, p. 302 and Carnoy and Castells, "Globalization, the Knowledge Society, and the Network State", p. 14.
[154] Sassen, *Losing Control? Sovereignty in the Age of Globalisation*, pp. 30-1. Hence sovereignty has not disappeared: "Sovereignty and territory, then, remain key features of the international system. But they have been reconstituted and partially displaced onto other institutional arenas outside the state and outside the framework of nationalised territory"(p 28). Sassen's views are built up from John Ruggie, "Territoriality and Beyond: Problematizing Modernity in International Relations", *International Organisation*, 47,1, Winter 1993.
[155] Sassen, *Globalisation and its Discontents*, pp. 199-200. See also Sassen, "The State and the New Geography of Power" and Scholte, *Globalisation, a critical introduction*, chp 6.
[156] Cox, *Approaches to World Order*, p. 302.
[157] Carnoy and Castells, "Globalization, the Knowledge Society, and the Network State", p. 16.

power of the state is needed to make this possible. In the constellation of institutions that constitute governance in the contemporary world no other organisation has the sovereign authority that is linked to public legitimacy and the ability to enact law.[158] However, public support for competitive processes is not easy to achieve, largely because the state can be caught between its public constituencies and the transnational capitalist constituencies such as financial markets.[159] In prioritising the interests of capital, the state is at risk of undermining the legitimacy and public support that is essential to underpin economic globalisation.[160] Nevertheless, in a competitive global context, deregulation has been conducted in order to uphold the 'national interest' in regards to economic policy and goals. Competition obliges expanding the national interest to include market constituencies and pushing forward with deregulation in order to be able to maximise economic growth.[161] In a sense economic growth becomes the polestar of the national interest. As such, with the exception of a few states that have excluded or distanced themselves from the global economy, the vast majority of states have been moving towards opening their markets and loosening their regulation of economic activity.

According to Cerny, states are also being 'marketised', in the sense that they are taking on an entrepreneurial and competitive function within a global economy.[162] This consequence lies in the mutual constitution of competition state and economic globalisation: processes of deregulation are shaped by the ongoing development of economic competition between states.[163] Cerny refers to the shaping of state function and government policy by market networks as "*embedded financial orthodoxy*".[164] This is where government policy and discretion in taxation and expenditure "is shaped first and foremost by financial and monetary imperatives".[165] Global finance and the networks of financial markets and credit rating agencies are not only a growing influence on government policy, but the practices of the competition state are an important source of the extension of these markets through the

---

[158] Sassen, "The State and the New Geography of Power", p. 4. According to the World Bank, "an effective state is vital for the provision of the goods and services – and the rules and institutions – that allow markets to flourish and people to lead healthier, happier lives" World Bank, *World Development Report Summary 1997* (Washington, D.C, The World Bank, 1997), p. 4.
[159] Scholte, *Globalisation, a critical introduction*, pp. 340-1.
[160] Cerny, "What Next For the State?", p. 131.
[161] Cerny, "The Infrastructure of the Infrastructure", p. 224.
[162] Cerny, "What Next For the State?", p. 124
[163] Cerny, "The Infrastructure of the Infrastructure"
[164] Cerny, "The Infrastructure of the Infrastructure", p. 226. Italics added.
[165] Cerny, "The Infrastructure of the Infrastructure", p. 226.

"widening circle of deregulation".[166] These frameworks are having an increasingly integral role shaping state policy, largely because states are competing with other states for deregulated conditions on a "unilateral basis".[167] Hence, economic policy and deregulation are shaped by the transmission of neo-liberal ideology *and* by the actual competition between states not only for particular capital investments (by offering tax breaks for example) but for the regulatory standards to attract capital evident in wage levels, skill bases, environmental regulations and general levels of taxation.[168] This leads not only to a "subsidy auction" between nation-states and even regions within nation-states[169] but leads to "competition in laxity", that is a downward movement in the form of looser and looser regulation – a potential 'race to the bottom'.[170] Nevertheless, despite this downward tendency there is the persistence of subtle and not so subtle forms of protectionism. Powerful states are still able to depart from trade rules and many governments still politically accommodate key dissenting voices of deregulation by protecting their interests.[171] In addition there are firms that automatically maintain 'worlds best practice' in respect to environmental and social standards and locales were high environmental standards are a source of competitive advantage.[172]

The competition state embeds neo-liberal governance and the logic of global markets into nation-states across the world such that global markets take on the form of an unavoidable and "quasi-natural process".[173] Since the 1980s there has been "nearly a complete turnaround in economic policy" within developing countries demonstrated by a general discrediting of socialist models and an embrace of deregulation and liberalisation.[174] However, it is important to emphasise that there are significant variations in the ways states across the world have occupied positions in the global economy and have responded to competitive pressures and

---

[166] Cerny, "The Infrastructure of the Infrastructure", p. 239 and Sassen, "The State and the New Geography of Power", p. 13.

[167] Cerny "The Infrastructure of the Infrastructure", p. 239.

[168] Cerny, "The Infrastructure of the Infrastructure", p. 225.

[169] Martin and Schumann, *The Global Trap*, p. 205.

[170] Cerny claims that this sets a relentless logic in place: "The state's response to economic pressures- especially external pressures- increasingly becomes one of adjusting levels of regulation and intervention *downward* so as not to lose competitive advantage *vis-à-vis* states which have looser regulation or greater market freedom for business. In a globalising world, the competition state is more likely to be involved in a process of competitive deregulation and creeping liberalisation". Cerny, "What Next For the State?", pp. 134-5.

[171] Sassen, "The State and the New Geography of Power", p. 10 and Scott, *Regions and the World Economy*, p. 13. On the latter point see Kenichi Ohmae, *The End of the Nation State: The Rise of Regional Economies* (London, Harper Collins, 1995), chp 4.

[172] David,Wheeler, "Racing to the Bottom? Foreign Investment and Air Pollution in Developing Countries" *Journal of Environment and Development* 10 (3) 2001.

[173] UNRISD, *States of Disarray, The Social Effects of Globalisation*, p. 33.

[174] Thomas Biersteker, "The 'Triumph' of Neoclassical Economics in the Developing World: Policy Convergence and Bases of Governance in the International Economic Order" in James Rosenau and Ernst Czempiel (eds.), *Governance without Government: Order and Change in World Politics* (Cambridge University Press, Cambridge, 1992), p. 196. See also UNDP, *Human Development Report 1999*, p. 29.

neo-liberal thought.[175] In the western world, some states, particularly the US and the UK, were shaped by the enthusiastic and full-blooded neo-liberalism of Reagan and Thatcher respectively. States in the former Eastern Bloc have also undertaken particularly strong programs of neo-liberal reform – often referred to as "shock therapy".[176] While neo-liberalism has been extremely influential, there have still been states that have maintained nationalist or social democratic policies as a "shielders' strategy".[177] Many of the European nation-states that have traditions of strong welfare systems were "successfully resisting the pervading hegemony of neo-liberalism" because the welfare state, various industrial policies and skilled labour offered an avenue of competitive advantage during the 1970s and 80s.[178] These states have sought to avoid the social effects of economic globalisation by forms of "selective integration into the world economy" – openness in regards to some manufacturing sectors but subtle forms of protection for other sectors.[179] But this strategy is under intense pressure from continued fiscal crises emerging from a shrinking tax base.[180] This shrinking tax base is due to the mobility of firms in both a physical sense and the ability of TNCs to shift profits within the same TNC to low tax countries (a strategy referred to as "transfer pricing").[181]

In the non-western world, states have pursued differing strategies that have resulted in varying levels of economic success. First, there has been the governmental practice referred to as the "developmental state" that centres on competing by engaging in export led manufacturing.[182] Such a strategy, as evident in Japan and in North and South-East Asia (and to certain degree in South America), requires the active orchestration by the state.[183] Up until the Asian financial crisis this model of state was extremely successful at integrating the states of Asia into the "circuits of the global economy".[184] However, like the social democratic model, the distinctiveness of the developmental model is increasingly being challenged by neo-liberal

---

[175] Cox, *Approaches to World Order*, p. 302, *The Economist*, "The Myth of the Powerless State" Oct 7th, 1995, p.16 and Palan et al., *State Strategies in the Global Economy*

[176] Gray, *False Dawn*, pp. 141-7.

[177] Palan et al., *State Strategies in the Global Economy*, p. 103.

[178] Palan et al., *State Strategies in the Global Economy*, pp. 11[illegible] ee Peter Katzenstein, Small *States in World Markets* (Ithaca, Cornell University Press, 1985), p. 192.

[179] Palan et al., *State Strategies in the Global Economy*, pp. 103-4.

[180] Gill, "Global Structural Change and Multilateralism", p. 13, *The Economist*, "Stakeholder Capitalism", Feb 10-16th, 1996, pp. 22-23 and Ramesh Mishra, "The Welfare of Nations" in Robert Boyer & Daniel Drache (eds.), *States Against Markets* (London, Routledge, 1996)

[181] Martin and Schumann, *The Global Trap*, pp. 198-201. chp 8 more generally.

[182] Palan et al., *State Strategies in the Global Economy*, chp 4.

[183] Admittedly with varying levels and different types of state involvement See Manuel Castells, *End of the Millennium, Vol III of The Information Age: Economy, Society and Culture*, (Oxford, Blackwell, 1997), pp. 244-6.

[184] Castells, *End of the Millennium*, p. 213.

doctrine and the fact these states are so deeply linked into the global economy.[185] States in the non-western world have also engaged in strategies of finding a niche, which assists or in some cases avoids, competition. Whether it is a valuable commodity such as oil, a widely illegal commodity in the form of narcotics, or merely being an adjunct to the global financial system in the form of a tax haven, there have been strategies that have enabled states to be a useful part of the global economy.[186] However, there are some states that by choice or circumstance that have been excluded from "joining the competitive game at all".[187] States such as Chad, Afghanis[illegible]d Burma are effectively excluded form the global economy by a "crisis of capability" on the part of the state.[188] As Fernando Cardoso soberly notes, some states "will end up in the 'worst of all possible worlds'. They will not even be considered worth the trouble of exploitation; they will become inconsequential, of no interest to the developing global economy".[189]

Ultimately, there is no one distinct template of the competition state.[190] There are clearly certain niches of competition and methods that states actively pursue for advancing the interests of transnational business. There is also the omnipresence (if not omnipotence) of the ideological and disciplinary impact of neo-liberalism, even if some countries are excluded from playing an active role in the global economy.[191] The World Bank definitely sees its role as improving state "capability" everywhere across the world.[192] Beyond western states the international financial institutions, especially the "technical advice" of the World Bank and the IMF,[193] play a substantially more interventionist role than the more ideological function that these institutions play in the reproduction of the competition state within the western world.[194] High levels of debt also discipline governments within Africa, Latin and South America as

---

[185] *The Economist*, "Stakeholder Capitalism" See Castells, *End of the Millennium*, p. 246.
[186] Palan et al., *State Strategies in the Global Economy*, p. 5.
[187] Palan et al., *State Strategies in the Global Economy*, p. 5.
[188] World Bank, *World Development Report Summary 1997*, p. 14. Although, it should be noted that Afghanistan is involved with the global economy via its long history of involvement with narcotic production. Palan, Ronen et al., *State Strategies in the Global Economy*, p. 10.
[189] Fernando Cardoso, "North-South Relations in the Present Context: A New Dependency?" in Martin Carnoy et al (eds.), *The New Global Economy in the Information Age: Reflections On Our Changing World* (Pennsylvania, Pennsylvania University Press, 1993), p. 156. In truth social exclusion often occurs within the context of economic globalisation at the level of neighbourhood or region, not just at the level of the nation-state. See Castells, Manuel, "Informational Capitalism and Social Exclusion" at <http://www. unrisd.org/engindex/publ /news/19eng/castnews.htm> (accessed on the 1st of November 1999)
[190] Palan et al., *State Strategies in the Global Economy*, p. 10 and Cerny, Phillip, "Paradoxes of the Competition State: The Dynamics of Political Globalisation", p. 251.
[191] Palan et al., *State Strategies in the Global Economy*, p. 201.
[192] World Bank, *World Development Report Summary 1997*, p. 14.
[193] World Bank, *World Development Report Summary 1997*, p. 15.
[194] Palan et al., *State Strategies in the Global Economy*, p. 201.

well as Eastern Europe.[195] Indeed, while some nation-states have other stronger ideological forces at play that curtail or frame the competition state (Islam, within states in the Middle East for example),[196] to ignore the discipline of the competition state and neo-liberal governance for very long is to risk "marginalisation from global capital markets".[197] Even though the strategy of competition state intersects with differing ideological and institutional forces in different parts of the world, such a strategy designates a state that has the objective of economic growth deeply etched into their policy-making and legal fabric, thereby intertwining and perpetuating economic globalisation.

The manifestation of embedded financial orthodoxy and the competition state not only shapes governmental discretion, but also changes the very structure of the state. While states have previously encouraged market forces,[198] state structures are now

> being transformed into more and more market-oriented and even market based organisations themselves, fundamentally altering the way that public and private goods are provided. Indeed, states are transforming - marketizing - *themselves* in the search for competitiveness in an increasingly economically interpenetrated world.[199]

The World Bank euphemistically refers to this process as one of "enhancing state capability" via the use of "competitive pressures".[200] Across many states, particularly within western states, there are three tendencies that demonstrate the ways in which the state is shaped by the market forces of global finance and neo-liberal rationality. First, the state is increasingly involved with deregulated "*meta governance*",[201] that is, providing the basic rules, co-ordination and the networking for public decision-making rather than acting as a centralised authoritative decision maker. Primarily in western states there is a "new territory emerging, after the welfare state, for the management of these micro-sectors" of private, public and quasi-autonomous agencies.[202] This has become known as "reinventing government", a strategy that swept

---

[195] Gill, "Finance, Production and Panopticism", pp. 9-10.
[196] Palan et al., *State Strategies in the Global Economy*, p. 37.
[197] Gill, "Finance, Production and Panopticism", p. 9.
[198] Vincent Cable, "The Diminished Nation-State: A Study in the Loss of Economic Power" *Daedalus* Volume 124, n. 2 Spring, 1995, p. 32.
[199] Cerny, "What Next For the State?", p. 124. Italics in original. See also Gill, "New Constitutionalism, Democratisation and Global Political Economy", p. 25.
[200] World Bank, *World Development Report Summary 1997*, p. 10.
[201] Jessop, "Capitalism and its Future", p. 575.
[202] Nikolas Rose, "The Death of the Social? Re-figuring the Territory of Government" *Economy and Society*, Volume 25, Number 3, August 1996, p. 347.

Western public administration during the 1990s.[203] The role of government became one of 'steering rather than rowing'. This provided the cue for widespread increases in privatisation and corporatisation of public utilities around the world.[204] Privatisation, epitomised by the provision of public services by competitive tender and contracting out, is a policy inspired by neo-liberalism's emphasis on the efficiency of market competition, in addition to the aim of reducing public expenditure and the influence of the state more generally. Ultimately, the reinvention of government involves the infusion of business logic into the heart of government.

Second, there has been a shift in *the modus operandi of economic policy*. Under the rubric of neo-liberal governance, states have enacted deregulation and the liberalisation of trade and finance. The emphasis of economic policy-making has been on limiting inflation through orthodox monetarism rather Keynesian budgetary controls. Keynesian macroeconomic management has been replaced with microeconomic management of economic activity.[205] Policy regimes of microeconomic reform are aimed at increasing efficiency in various economic sectors of society and increasing the role of market forces in labour markets and formerly public sectors.[206] As a result

> the outer limits of effective action by the state in this environment are usually seen to comprise its capacity to promote a relatively favourable investment climate for transnational capital - i.e. by providing an increasingly circumscribed range of goods that retain a national-scale (or subnational-scale) public character or of a particular type of still-specific assets described as immobile factors of capital.[207]

Such 'immobile factors' include transport and technological infrastructure as well as the education and training of "human capital". Aside from competing via decreasing taxation and regulatory levels, export processing zones and other locales have been established in order to attract global economic linkages.[208] Ultimately, economic policymaking is no longer attempting to maximise general welfare, or self-sufficiency. Rather, it is an attempt to forge "a flexible response to competitive conditions in a range of diversified and rapidly evolving international

---

[203] David Osbourne and Ted Gaebler, *Reinventing Government* (New York, Plume, 1992), p. 25.
[204] Scholte, *Globalisation, a critical introduction*, p. 122. This is particularly the case in telecommunications.
[205] Cerny, "Paradoxes of the Competition State", p. 260.
[206] Stephen Bell, *Ungoverning the Economy, The Political Economy of Australian Economic Policy* (Melbourne, Oxford University Press, 1997), chp 9.
[207] Cerny, "Globalisation and the Changing Nature of Collective Action", p. 611.
[208] Scholte, *Globalisation, a critical introduction*, pp. 77-8. See also Manuel Castells and Peter Hall, *Technopoles of the World* (London, Routledge, 1994)

marketplaces, i.e. the pursuit of 'competitive advantage' as distinct from 'comparative advantage'.[209] The goal of this response is to attract capital and economic opportunity to the jurisdiction of a given state.[210]

The third characteristic tendency of the competition state is the "*de-socialisation of economic government*".[211] Again, this tendency is most evident western states that have witnessed a shift in the way welfare programs have been enacted, from welfare provision to a displacement of welfarism evident in government demands for welfare recipient 'enterprise' and responsibility (evident in the strategy of workfare).[212] This characteristic stems from Nikolas Rose's conception of "advanced liberalism".[213] The strategy of "advanced liberalism" seeks "techniques of government that create a distance between the decisions of formal political institutions and other social actors, conceive these actors in new ways as subjects of responsibility, autonomy and choice, and seek to act upon them through shaping and utilising their freedom".[214] Governing at "a distance" within a society is an essential component of a pattern of governance that seeks to forge a state capable of focusing on economic affairs (regardless of their impact on society or welfare) and tapping into the global flows of capital. The de-socialised nature of contemporary governance points to the heart of the shift in rationale from welfare state to the competition state, with the importance of national welfare giving way to maximising those regions and individuals that *can* compete.[215] This new way of conceptualising economic government means that

> the economy is no longer to be governed in the name of the social, nor is the economy to be the justification for government of a whole range of other sectors in a social form... Government of a whole range of previously social apparatuses is to be restructured according to a particular image of the economic - the market. Economic government is to be de-socialised in the name of maximising the entrepreneurial comportment of the individual.[216]

---

[209] Cerny, "Paradoxes of the Competition State", p. 260. See Michael Porter, *The Competitive Advantage of Nations* (London, Macmillian Press, 1990)

[210] Manuel Castells, *The Rise of the Network Society, Vol I of The Information Age: Economy, Society and Culture*, (Oxford, Blackwell, 1996), p. 105.

[211] Nikolas Rose, "The Death of the Social", p. 337. Italics added.

[212] Phillip Cerny, "Paradoxes of the Competition State", p. 260 and Jessop, "Capitalism and its Future", pp. 572-5.

[213] Nikolas Rose, "The Death of the Social", pp. 330-1 and 338-40. Rose's conceptualisation stems from Foucault's notion of "governmentality" – or the notion that people are disciplined by the observation by government. See Michel Foucault, "Governmentality" in Geoffrey Burchell et al (eds.), *The Foucault Effect; Studies in Governmentality* (London, Harvester Wheatsheaf, 1991)

[214] Nikolas Rose, "Governing "Advanced" Liberal Democracies" in Andrew Barry et al (eds.), *Foucault and Political Reason* (London, University of Chicago Press, 1996), pp. 53-4.

[215] Rose, "The Death of the Social", p. 340.

[216] Rose, "The Death of the Social", p. 340.

Despite this process, the provision of social welfare has continued across western states.[217] However, there has been a shift in the purpose of these outlays from "social provision to social control", largely because the rationale of the state has changed in a way that still, despite the new de-socialised approach, has to manage the unemployed and poor and enforce the new restructured social order.[218] Such a shift requires that social policy be subordinated to "labour market flexibility and the demands of structural competitiveness".[219] This micro management of individuals is augmented by the surveillance mechanisms of the modern state, even if such observation is via data banks and computers.[220]

Thus, the competition state represents a transformation of, and in many ways an increase in, the way in which the state attempts to defend and sustain capitalism, not the elimination of its ability to coordinate economic life. This does not mean that capitalism entirely defines the state. Even *laissez-faire* capitalism of the nineteenth century was "shot through with political accommodations that provided the conditions of survival of the entire system".[221] Likewise, pragmatic accommodations, in the form of protections for sensitive industries or sectors, are an essential part of the enactment of neo-liberal governance. Nevertheless, there is a substantial difference between the welfare state's concern for the maximisation of welfare within society (such as concerns for public service delivery, full employment and redistribution) and the competition state's emphasis on the "promotion of enterprise, innovation and profitability in both private and public sectors".[222]

Thus, far from protecting society, the state actively creates an economically flexible society. However, as we will see in the following chapter, the competition state's attempt to balance national goals of belonging and protecting, on one hand, and competitiveness and efficiency, on the other, is a difficult task.[223] This awkward balance represents how neo-liberal governance is an ethos that decisively shifts the function of hitherto-public institutions, at the same time depending heavily on the public quality of the nation-state. As Cerny claims, within

---

[217] Ramesh Mishra, *Globalisation and the Welfare State* (Cheltenham, Edward Elgar, 1999), pp. 97-100.
[218] Rob White, "The Poverty of the Welfare State: Managing the Underclass" in Paul James (ed.), *The State in Question* (St Leonards, Allen & Unwin, 1996), p. 109.
[219] Jessop, "Capitalism and its Future", p. 572.
[220] Manuel Castells, *The Power of Identity, Vol II of The Information Age: Economy, Society and Culture*, (Oxford, Blackwell, 1997), pp. 299-301.
[221] Scott, *Regions and the World Economy*, p. 13.
[222] Philip Cerny, "The Limits of Deregulation: Transnational Interpenetration and Policy Change", *European Journal of Political Research*, Vol. 19, no. 2 & 3, 1991, p. 179.
[223] Cerny, "What Next For the State?", p. 131.

the context of economic globalisation and neo-liberal governance the nation-state "faces crises of both organisational efficiency and institutional legitimacy".[224] While these contradictions of neo-liberal governance will be explored next chapter, In chapter 4 I will critically explore an even more drastic, alternative vision of liberal governance that departs from this prevailing balance between the nation and neo-liberalism in order to free deregulation from the constraints of the nation-state. This is a perilous endeavour for neo-liberalism exactly because of the importance to the neo-liberal agenda of the legitimacy of the nation-state's claim to represent the public and maintain a historical sense of community. While neo-liberal governance has been extremely successful in providing the context for economic globalisation, the balance between the nation-state and policies of deregulation and privatisation is a process of muddling through rather than a sustainable basis to support the development of a free market at a global level. How the tension between the promotion of national belonging and the prioritisation of transnational private interests will resolve is unclear.

Conclusion

The outcome of neo-liberal governance is an environment that is supportive of an open and flexible regime of capitalist accumulation.[225] Within the context of economic globalisation the only viable road to economic growth is to attract transnational capital by ensuring the maintenance of market credibility. The aim of this environment is a predictable and secure circumstance for investment that protects property rights. This entails low levels of inflation and taxation and the maintenance of law and order. As such the institutions of neo-liberal governance are aimed at embedding market principles deep into society at the same time as expanding the realm of the market. These arrangements are also "politically locked in so that economic agents will be able to realise their investment plans with a longer political shadow of the future".[226] Due to the fact that the state has had achieve this transnational 'business friendly' environment, as well as to deal with the levels of unemployment and social dislocation that have stemmed from this regime, it has not become a 'minimal state' in terms of expenditures.[227]

---

[224] Phillip Cerny, "Globalisation and the Changing Nature of Collective Action", *International Organisation* 49, 4, Autumn 1995, p. 598.
[225] Palan et al., *State Strategies in the Global Economy*, p. 6 and Castells, Manuel, *The Informational City*, p. 25.
[226] Gill, "Global Structural Change and Multilateralism", p. 11.
[227] Scholte, *Globalisation, a critical introduction*, pp. 134-5 and *The Economist*, "The Myth of the Powerless State", p.16.

This and the previous chapter combine to present an understanding of the political economic framework of contemporary globalisation. The approach of critical political economy that I have unfurled here rests on the distinction between globalisation and economic globalisation. While the transformationalist account of globalisation convincingly demonstrates that contemporary globalisation is a long-term process of spatial compression, the critical account of *economic* globalisation rests on a more recent [illegible] ideas that shape business decision-making, public policy and public expectations. The critical understanding of economic globalisation is important because it endeavours to understand the actions, interests and deliberations of private and public decision-makers. In doing so, the critical approach conceives of contemporary globalisation as a *contingent political process*. While critical political economy emphasises that economic globalisation is a discursive and ideational formation just as much as a material one, this approach emphasises the forms of agency and power *required* to create and maintain economic globalisation. While there is clearly no central organiser or cast-in-iron global capitalist class, there *are* organisations and powerful social forces that have complex forms of association and shared assumptions that have been effective in shaping the prevailing forms of economic and political practice. Contemporary globalisation is not the "runaway world" that it is sometimes characterised as being.[228] Economic globalisation involves, not only changes in social and technological practice but also changes in cultural patterns, dominant ideas and the institutional framework of capitalism such that the world increasingly operates as a single deregulated place in real time. This chapter has sought to draw out these connections and reveal the forms of power and knowledge that prevail and construct economic globalisation.

Furthermore, the argument that I have drawn here asserts that not only is economic globalisation actively constructed but it is also underpinned by norms that have a *powerful constitutive influence* over government. Neo-liberal governance is an emerging rationale of governance that alters existing state institutions and creates new institutions consistent with the normative and material dimensions of a new world order. As Sassen underlines "in this new normative order, certain claims emerge as legitimate, others are delegitimated".[229] What is legitimated is the discipline of market forces on individuals and states. Hence, the private entrepreneurial interests of capitalistic agents and states that deregulate in order to attract

---

[228] Anthony Giddens, *Runaway World* (1999 BBC Reith Lectures); "Lecture One – Globalisation" <http://news.bbc.co.uk/hi/uk/english/static/events/reith_99/week1/week1> (Accessed the 1st of September 1999)

[229] Sassen, "The State and the New Geography of Power", p. 10. See also Gill, "Theorizing the Interregnum: The Double Movement", p. 66.

capital, and thereby pursue economic growth, are clearly legitimate within this rationale. Consequently, I conclude that neo-liberal governance is a prevailing articulation of good government that most states do not typically disregard. However much this moral foundation is contested, debated and even violated, I contend that this ethos still shapes political processes in much of the world. Ultimately, while there are strong disciplinary aspects of neo-liberal governance, the motivation of economic growth and of economic returns that states seek to achieve are enmeshed in the moral purpose of neo-liberal governance. The ethos of neo-liberal governance can be understood in five principle dimensions.

First, neo-liberal governance represents the growing concern with *maximising economic growth and the security and profitability of investors* on the part of public decision-makers. While neo-liberal governance is created by principles founded in neo-liberal political theory and neo-classical economic theory, this approach to governing is also shaped by the social forces, notably investors and business interests, that in turn shape the creation of global markets. While private forces shape contemporary governance in quite overt ways, it is important to emphasise the role of the powerful G-7 states in supporting economic globalisation.

Second, the principle means to the goal of economic growth and profitability is via an *extensive global regime of deregulation*. The principle goal of such measures is to provide a 'business friendly' environment that allows market forces to determine economic life and promote profit. Such an environment is secured as much as is possible by legal procedures that minimise the intrusions of democracy or non-economic concerns such as claims to justice or ecological sustainability.

Third, associated with the processes of deregulation are *practices of liberalisation and openness that prevent states from protecting domestic capital*. While protectionism is not eliminated, the focus of neo-liberal governance is on minimising the effect of borders on global market forces and thereby promoting competitiveness. Liberalisation limits the potential of domestic groups from being protected economically by the state, thereby compelling economic agents to compete in a global context.

Fourth, despite the fact that neo-liberal governance is being promulgated at a global level, *the nation-state, under the aegis of the competition state, plays a crucial role in creating and enforcing deregulation and liberalisation in many countries*. While the relationship between economic globalisation and the

nation-state is tension ridden, especially in democratic states, the nation-state is not disappearing because it is a crucial lynchpin of neo-liberal governance.

Fifth, *economic globalisation is not a natural or inevitable process but rather one enabled by the coercive power and consensual influence of powerful states and the international financial institutions.* Neo-liberal governance represents the moral purpose underpinning the exercise of this power. Thus, neo-liberal governance represents more than an ideology and discourse that shapes policy making; it represents the way in which market forces and private interests are normalised and sanctioned to shape the character of global politics.

The argument of this chapter is that behind this emerging global economic structure is a 'new normativity' aimed squarely at *removing* impediments to the operation of a global capitalist system, *intensifying* the influence of market forces in the hope of obtaining economic growth and *protecting* the interests of investors around the world, transnational corporations and the governments of wealthy states. In many parts of the world the purpose of the state has confirmed Robert Cox's aphorism: the state has become a *bulwark* for protecting an open and deregulated form of global capitalism. As a result, states around the world are increasingly shaped by the discipline of the market. However, in doing so, populations of these states are increasingly open to the fluctuations and risks of the market. As a result economic globalisation produces significant levels of social vulnerability and dislocation. It is to these concerns that we turn in the following chapter.

CHAPTER THREE – THE LIBERAL DILEMMA OF PUBLIC POWER IN A GLOBALISED ECONOMY

> One response to globalization is to pose the question: Is it ethically sustainable? Morally and politically, is it possible to maintain a global system in which the world's 225 richest people have a combined wealth equal to the annual income of 2.5 billion people, the poorest 47 percent of the world's population? ... Is it ethically defensible to claim that this is the price paid for the gains that accompany expanding market forces?[1]

In the previous chapters we have looked at the prevailing world order from the standpoint of the ideas, interests and institutions that dominate. This chapter examines the patterns of disadvantage that open up problems for the continuance of this world order. After all, this dissertation has defined economic globalisation as a developing formation of material, ideational and institutional elements underpinned by the dominance of capitalist elites around the world and wealthy states. This order is a contingent reality; it is not an inescapable extension of globalisation. Maintaining economic globalisation is an inherently political task that faces a stark series of moral and political challenges. The ongoing political struggles that stem from reinforcing this world order and the social consequences that flow from deregulated capitalism pose a series of challenges for policy-makers and political theorists alike.

Governing within the context of economic globalisation is difficult because global politics is shaped by the structure and power of market forces to such an extent that public legitimacy and social stability cannot be assumed. The role that the state performs within economic globalisation is an awkward one where the state is drawn away from its domestic constituency and is considerably subject to the discipline of market forces and international organisations tied to neo-liberal conceptions of good government. Policy-makers operate within a context where neo-liberal governance prevails thereby strengthening claims relating to the promotion of economic growth, profitability, market creditability and competitiveness, while de-prioritising claims concerning welfare, democracy and the strategic development of a state's economy towards social ends. Since market forces have been largely freed from public

[1] James Mittelman, *The Globalisation Syndrome* (Princeton, Princeton Press, 2000), p. 246.

constraint and market and private forces have increasingly shaped public institutions, there has been a significant rise in inequality and vulnerability around the world. These social consequences pose significant problems for policy-makers wishing to sustain global capitalism.

While the observation that free market capitalism undermines itself comes as no surprise to those critical of capitalism, it does pose a difficulty for those who embrace capitalism and liberalism. This difficulty is underscored by the public protests against economic globalisation that have continued since the protests in Seattle against the WTO in 1999. These protests emphasise the importance of legitimating the institutional infrastructure of economic globalisation and addressing (and being seen to address) the adverse social impact of the neo-liberal project across the world. While the tensions between these tasks are obvious, these concerns affect liberals at both an ethical level, in the sense of promoting the values of liberty and a sense of justice across the globe, and a practical level, in the sense of sustaining economic globalisation. Central to the latter question is what role can and should the state play in order to govern societies in an effective way that both solves public problems and allows the values of liberalism to prevail. As such, this chapter has two tasks. The first is to outline the ways economic globalisation generates accelerating inequality, polarisation and insecurity. In addition, economic globalisation threatens the legitimacy of many states infused by the logic of the competition state as well as international financial institutions that inexorably promote economic growth at the expense of social and developmental goals. The second task is to examine the ways in which economic globalisation and neo-liberal governance pose dilemmas to both liberal values and effective liberal governance. While liberalism is a "broad church" that contains many different positions in relation to the desirability of deregulated capitalism,[2] I contend that there are commonalities that substantiate a pervasive concern that liberals have for the social consequences that are accompanying economic globalisation. While the majority of liberal strands assume that in the long run free markets will promote material wellbeing, 'progress' and liberty,[3] the reality of economic globalisation is far less reassuring.

The overall social impact of economic globalisation has been addressed in a number of books,[4] UN conferences[5] and reports.[6] Despite some exaggerations the picture is almost

---

[2] Andrew Hurrell and Ngaire Woods, "Globalisation and Inequality", *Millennium*, Vol. 24, No. 3, 1995, p. 448.
[3] Hurrell and Woods, "Globalisation and Inequality", pp. 448-9.
[4] Especially Manuel Castells, *The Rise of the Network Society, Vol 1 of The Information Age: Economy, Society and Culture*, (Oxford, Blackwell, 1996), Hans-Peter Martin and Harald Schumann, *The Global Trap* (London, Zed Books, 1997), Robert Reich, *The Work of Nations* (London, Simon and Schuster, 1991), Jeremy Rifkin, *The End of Work*

unanimously gloomy even though economic globalisation has produced significant levels of wealth overall including wealth in poorer regions of the world.[7] The problem is that this wealth has neither been spread evenly nor produced sustainably, and has had an adverse impact on a wide range of societies. I do not dispute that there have also been significant social gains within the context of economic globalisation and there are significant benefits derived from a global informational economy. However, I do doubt that the distribution of these gains is equitable or sustainable. This chapter seeks to examine the implications of the social consequences of economic globalisation for the liberal tradition of political thought.

Inequality and Polarisation

The restructuring of the world economy through the processes of economic globalisation dramatically reorganises social life and produces many serious implications for people and the societies in which they live. These consequences stem from the deregulation and liberalisation of policy-making and the flexibility and mobility of business decision-making typified by the development of globally composed products where "capital considers the productive resources of the world as a whole and locates elements of complex globalised production systems at points of greatest cost advantage".[8] The increasing density and scale of global webs of innovation, finance, production, circulation and consumption, are producing widely diverging fortunes for people across the globe. The world as a whole is more interconnected and more prosperous but the distribution of wealth is extremely uneven with the reliance on the "quantity of economic growth" (rather than its "structure or quality") having profound effects around the world.[9] These effects include increasing levels of inequality, polarisation and poverty.

(New York, GP Putnam's Sons, 1995), Jan Aart Scholte, *Globalisation, a critical introduction* (Basingstoke, Palgrave, 2000)

[5] The World Summit for Social Development 6-12 March 1995, Copenhagen, After the Social Summit: Implementing the Program of Action 4 July 1995, Geneva, Globalisation and Citizenship 9-11 December 1996, Geneva, Advancing the Social Agenda: Two Years after Copenhagen, 9-10 July 1997, Geneva, 52nd Annual DPI-NGO Conference: Challenges of a Globalised World: Finding New Directions September 15-17, 1999.

[6] Especially United Nations, *World Social Situation in the 1990s* (New York, UN, 1994), UNDP, *Human Development Report 1992* (New York: Oxford University Press, 1992), UNDP, *Human Development Report 1996* (New York, Oxford University Press, 1996), UNDP, *Human Development Report 1997* (New York, Oxford University Press, 1997), UNDP, *Human Development Report 1999* (New York, Oxford University Press, 1999), UNDP, *Human Development Report 2001* (New York, Oxford University Press, 2001), UNRISD, *Globalisation and Citizenship* (Geneva, UNRISD, 1997), UNRISD, *States of Disarray; The Social Effects of Globalisation* (London, Banson, 1995)

[7] UNDP, *Human Development Report 1999*, p. 25.

[8] Robert Cox, (with Timothy Sinclair), *Approaches to World Order* (Cambridge, Cambridge University Press, 1996), p. 192.

[9] UNDP, *Human Development Report 1996*, pp. 2-3 and UNDP, *Human Development Report 1999*, p. 25

Inequality has risen within and between countries as well as at a global level.[15] Despite a "dramatic surge in economic growth" the levels of global inequality have risen in the last twenty to thirty years.[11] The global distribution is such that according to the Human Development Report of 1992 the richest fifth earn 82.7 per cent of the worlds income and the poorest fifth earn just 1.4 per cent.[12] The Human Development Report of 1997 noted that the ratio of income of the world's poorest fifth compared to the wealth of the richest fifth has increased from 30 to 1 in 1960 to 78 to 1 in 1994[13] with significant groupings of poverty within Asia, Africa and Latin America.[14] Inequality between countries, particularly between wealthy OECD states and other states has also risen.[15] While the second half of the twentieth century saw one of the greatest advances in reducing poverty in human history, since the 1980s, there has been a series of setbacks across much of the world - including the western nations of the OECD.[16] Inequality within states has been

> rising in most OECD countries during the 1980s and into the early 1990s. Of 19 countries, only one showed a slight improvement. The deterioration was worst in Sweden, the United Kingdom and the United States.[17]

The levels of inequality in other western nations were lower but changed in a similar manner.[18] Across the developing world the levels of inequality have been more varied but generally replicate this trend.[19]

In addition to intensifications of inequality there have also been new patterns of inequality that have increasingly bisected nation-states around the world. While the legacy of a wealthy North and a poorer South persists,[20] in an era of economic globalisation there has been

---

[11] Manuel Castells, *End of the Millennium, Vol III of The Information Age: Economy, Society and Culture*, (Oxford, Blackwell, 1997), pp. 80-1.
[12] UNDP, *Human Development Report 2001*, pp. 16-7. See also UNDP, *Human Development Report 1996*
[13] UNDP, *Human Development Report 1992*, p. 2.
[14] UNDP, *Human Development Report 1997*, p. 9.
[15] UNDP, *Human Development Report 1997*, p. 3.
[16] UNDP, *Human Development Report 2001*, pp. 16-7. "Despite a reduction in the relative differences between many countries, absolute gaps in per capita income have increased. Even for East Asia and the Pacific, the fastest growing region, the absolute difference in income with high-income OECD countries widened from about $6,000 in 1960 to more than $13,000 in 1998 (1985 PPP US$)".
[17] UNDP, *Human Development Report 1997*, pp. 2-4 and 89.
[18] UNDP, *Human Development Report 1999*, p. 37. In America, from 1977-88, the bottom eighty per cent of family incomes *all* suffered from income losses in real terms. The bottom twenty percent of family income fell by eleven percent while the top ten percent of family income rose by sixteen and half percent. Kevin Phillips, *The Politics of Rich and Poor; Wealth and the American Electorate in the Reagan Aftermath* (New York, Harper, 1990), p. 17.
[19] Katherine McFate, "Introduction: Western States in the New World Order" in Katherine McFate et al (eds.), *Poverty, Inequality, and the Future of Social Policy* (New York, Russell Sage Foundation, 1995), p. 7 and UNDP, *Human Development Report 1999*, p. 39.
[20] UNDP, *Human Development Report 2001*, pp. 17-8.

> an accentuation of uneven development, this time not only between North and South, but between the dynamic segments and territories of societies everywhere, and those others that risk becoming irrelevant from the perspective of the system's logic. Indeed, we observe the parallel unleashing of formidable productive forces of the informational revolution, and the consolidation of black holes of human misery in the global economy, be it in Burkina Faso, South Bronx, Kamagasaki, Chiapas, or La Courneuve.[21]

While local conditions of disease, war and social dislocation effect patterns of inequality within the developing world,[22] within the advanced industrial world a significant gap exists between the cities and rural regions.[23] Even within urban regions there has been an extension of social exclusion because of a "disarticulation" of some parts of cities from the global economy.[24] These uneven patterns of wealth and poverty are further fragmenting societies in accordance to the flexible circuits of production and exchange of the global economy.

Another defining feature of inequality within the context of economic globalisation is a marked polarisation between the rich and the poor. While there is nothing new about poverty, "what appears to be a global phenomenon is the growth of poverty, and particularly of extreme poverty".[25] While poverty is evident through processes of social exclusion across the developed world:

> Of the 4.6 billion people in developing countries, more than 850 million are illiterate, nearly a billion lack access to improved water sources, and 2.4 billion lack access to basic sanitation. Nearly 325 million boys and girls are out of school. And 11 million children under age five die each year from preventable causes—equivalent to more than 30,000 a day. Around 1.2 billion people live on less than $1 a day (1993 PPP US$), and 2.8 billion on less than $2 a day.[26]

While poverty is widespread across the developing world the poor wages and working conditions of the "informal economy" are present not only in rural settings in the south but

---

[22] For example "the top fifth of the world's people in the richest countries enjoy 82% of the expanding export trade and 68% of foreign direct investment—the bottom fifth, barely more than 1%." UNDP, *Human Development Report 1999*, p. 31.
[23] Castells, *The Rise of the Network Society*, p. 2. See also Scholte, *Globalisation, a critical introduction* pp. 213-5.
[22] UNDP, *Human Development Report 1997*
[23] Saskia Sassen, *Cities in a World Economy* (London, Pine forge Press, 1994), pp. 5-6.
[24] Sassen, *Cities in a World Economy*, p. 39. See also Castells, *End of the Millennium*, pp. 137-45.
[25] Castells, *End of the Millennium*, p. 81 and chp 2 more generally.
[26] UNDP, *Human Development Report 2001*, p. 9.

within large western cities as well.[27] Likewise clusters of unemployment and "superfluous labour" are found around the world.[28]

Across the developed world the restructuring of economic life has decreased the magnitude of the middle class,[29] with the continued development of an underclass and an "overclass" coming at the expense of an increasingly "anxious" middle class.[30] The idea of the underclass embodies lost human potential and represents "a profound violation of social equality"[31] stemming from the "social exclusion" of inequality.[32] The underclass is a condition where causes and symptoms blur but the crucial element is "that they feel that they have no stake" in society.[33] Clearly the interlaced causes of poverty create a "feedback" effect, keeping those in the underclass in poverty and disadvantage.[34] The crucial determinant of the persistent poverty is the circumstance for unskilled workers caused by sustained structural unemployment by being excluded from the flows of capital,[35] and altered types of work generated by "increasing bifurcation in the occupational structure" within the industrial world.[36] The flexibility of contemporary capitalism is also evident in an increase in the working poor across the Western World consisting of those people typically working in service sectors or the informal economy with low wages, low job security and reducing government benefits in many countries.[37]

On the other side of this emerging social order is an elite that is increasingly wealthy and detached from society in some respects. The size of this elite is debateable but it is typified by

---

[27] Sassen, *Cities in a World Economy*, p. 106.

[28] Robert Cox, "A Perspective on Globalisation" in James Mittelman (ed.), *Globalisation: Critical Reflections* (Boulder, Lynne Rienner, 1996), p. 26. In the OECD alone there are more than 35 million people who are unemployed, and "another 10 million have given up looking for a job". UNDP, *Human Development Report 1999*, p. 32.

[29] Particularly in the US. See Castells, *End of the Millennium*, pp. 130-2.

[30] Robert Reich, "The Over, the Under, and the Anxious" Speech before the Center for National Policy in Washington D.C, Aug 31, 1994.

[31] Micky Kaus, *The End of Equality* (New York, Basic Books, 1992), p. 103.

[32] Ralf Dahrendorf, "Economic Opportunity, Civil Society and Political Liberty" in Hewitt de Alcantra, Cynthia (ed.), *Social Futures, Global Visions* (Oxford, UNRISD and Blackwell, 1996), p. 28. While debate continues on the definition of this underclass it is clear that "beyond persistent poverty and residence in inner cities, specific lists may include membership in racial minorities, long-term unemployment, lack of skills and training, long-term welfare dependency, female-headed households, present orientation, lack of a work ethic, crime, drug and alcohol abuse". Barry Heisler, "A Comparative Perspective on the Underclass", *Theory and Society*, N 20, 1991, p. 455.

[33] Ralf Dahrendorf, "The Erosion of Citizenship and its Consequences for Us All", *New Statesman*, 12th June 1987, V 113, p 13.

[34] One particular source of social exclusion that deepens the plight of the underclass is the extension of incarceration as punishment. This is most significant in the US where the number of people in prison tripled from 1980 to 1995. Castells, *End of the Millennium*, p. 145.

[35] See Castells, Manuel, "Informational Capitalism and Social Exclusion" at <http: //www.unrisd.org /engindex/publ/news/19eng/castnews.htm> (accessed on the 1st of November 1999)

[36] United Nations, *World Social Situation in the 1990's* (New York, UN, 1994), pp. 85-6. See also UNRISD, *States of Disorder: The Social Effects of Globalisation*, p. 12 and Rifkin, *The End of Work*, chp 14.

[37] Sassen, *Cities in a World Economy*, p. 106.

wealth, high-income jobs and participation in global networks of commerce and travel.[38] Participation in global networks points to an important way this elite connects across national boundaries and forges common identities and interests that rely upon their local societies less and less. Christopher Lasch makes the point that

> a more salient fact is that the market in which the new elites operate is now international in scope. Their fortunes are tied to enterprises that operate across national boundaries. They are more concerned with the smooth functioning of the system as a whole than with any of its parts. Their loyalties – if the term is not itself anachronistic in this context – are international rather than regional, national or local. They have more in common with their counterparts in Brussels or Hong Kong than with the masses of Americans not yet plugged into the network of global communications.[39]

While this detachment is by no means a complete withdrawal from society, it has profound political consequences that will be discussed shortly. However, the detachment of the wealthy is apparent in developments in cities around the world, most notably through the proliferation of 'gated' suburbs and neighbourhoods that are protected by private security firms.[40] These "hi tech castles" are a part of metropolitan areas from Los Angeles, to Paris, to Australia's Gold Coast.[41] The polarisation that stems from the global-informational economy is shaping the very organisation and architecture of the cities across the world. Many cities are moving towards the duality that David Rieff observed in Los Angeles, where the metropolis consists of "discrete communities" that are interdependent at the level of work and services but which, despite being in the close physical proximity of each other, have diverging fortunes and a yawning chasm in lifestyle and opportunities.[42]

These patterns of inequality, polarisation and poverty are decisively linked to economic globalisation in three ways. The first source of accelerating inequality and poverty is *government policy within the framework of neo-liberal governance*. In the developing world, the capacity of states to avoid poverty has been limited by the sheer scale of poverty and historical weakness of

---

[38] Reich, *The Work of Nations*, p. 179. This amorphous category is highly contested depending on what criteria are used such as wealth, income or tertiary level education. For instance 83.1 percent of stock market wealth in America belongs to just 10 percent of the population. David Korten, *When Corporations Rule the World* (London, Earthscan, 1995), p. 109. The UNDP emphasises the mobility of this elite compared with the poor who cross borders: the "global, professional elite faces low borders". UNDP, *Human Development Report 1999*, p. 31.

[39] Christopher Lasch, *The Revolt of the Elites and the Betrayal of Democracy* (New York, W.W. Norton & Company, 1995), pp. 34-5.

[40] Castells, *The Rise of the Network Society*, pp. 415-6.

[41] Mike Davis, *City of Quartz* (London, Verso, 1990), p. 248.

[42] David Rieff, *Los Angeles, Capital of the Third World* (New York, Simon&Schuster, 1991), p. 159. Also Sassen, Saskia, *Cities in a World Economy*, p. 39.

many states.[43] The impact of the policies of the IMF and the World Bank, most notably through processes of structural adjustment, have also been central to the "unprecedented" advance of poverty across many states.[44] This has been accompanied by declining levels of development assistance from the developed world.[45] Across the developed world the competition state acts as a stratagem that reinforces and permits growing inequality by impeding public investment, especially in education,[46] and social redistribution.[47] The movement from the welfare state to the competition state was underwritten by neo-liberalism's "antagonism to the welfare state" and the belief that it had to be wound back.[48] This leads to the "politics of austerity and a cut back in state provision of social, welfare, health, and public expenditures".[49] These cutbacks feed directly into the development of poverty. Neo-liberal governance does not prioritise social outcomes such as full employment or redistributive-poverty alleviation measures. However, we can see that the competition state policies intersect with deeper ethical and cultural influences of policy with a distinct division between "reluctant welfare states" such as the US and "redistributive regimes" within central and northern Europe where the values associated with the welfare state are firmly established in society.[50] Nevertheless, redistributive regimes came under increased strain during the 1980s because of the discipline of fiscal restraint and the declining political acceptability of redistribution.[51] The underlying tendency of the competition state is to accept that a

---

[43] Scholte, *Globalisation, a critical introduction*, pp. 228-9.

[44] Michel Chossudovsky, *The Globalization of Poverty* (London, Zed Books, 1997), p. 26.

[45] Scholte, *Globalisation, a critical introduction*, p. 245.

[46] Reich, *The Work of Nations*, p. 207. Also see Castells, Manuel, "Informational Capitalism and Social Exclusion" and Robert Reich, "The Real Economy", *The Atlantic Monthly*, February 1991, p. 46. As Reich notes that education expenditure in the U.S. as a percentage of GNP was .51 percent in 1980 and .37 in 1990. In the physical investment equalled 1.14 percent of GNP in the US 1980, ten years later it was just .75 percent of GNP with maintenance also being cut back. The perverse thing about this shift is that expenditures are "falling short just as intellectual capital has become a uniquely important national asset". See also Reich, *The Work of Nations*, p. 254 (chp 21 more generally).

[47] Eddy Lee, "Globalisation and Employment: Is Anxiety Justified?" *International Labour Review*, Vol.135 (1996), no 5, p. 496.

[48] Anthony Giddens, *The Third Way* (Cambridge, Polity, 1998), p. 13.

[49] Stephen Gill, "Global Structural Change and Multilateralism" in Stephen Gill (ed.), *Globalisation, Democratisation and Multilateralism* (Basingstoke, Macmillan, 1997), p. 13.

[50] Katherine McFate (et al), "Markets and States: Poverty Trends and Transfer System Effectiveness in the 1980s" " in Katherine McFate, et al (eds.), *Poverty, Inequality, and the Future of Social Policy* (New York, Russell Sage Foundation, 1995), p. 29. Government policies can influence social outcomes, especially if the policies are put in place by broad social support. For instance during the 1980s 0.5 percent of poor U.S. families were lifted out of poverty by tax and transfer programs. This compares with 61.6 of poor families in the Netherlands that were lifted in the same way, 51.6 in France, 46.1 in the U.K., 36.4 in West Germany and 20.1 in Canada (p. 39).

[51] Ramesh Mishra, *Globalisation and the Welfare State* (Cheltenham, Edward Elgar, 1999), pp. 97-100, Gill, "Global Structural Change and Multilateralism", p. 13 and *The Economist*, "Stakeholder Capitalism", Feb 10-16th, 1996, pp. 22-23.

divergence of economic outcomes is an inevitable part of competition and economic flexibility.[52]

The second cause for inequality stems from the way *the 'old' division between wage earning and profit earning took a new turn with the expanded horizons of a global rather than a national limit for investment.* The mobility and flexibility of the participation of the investor contrasts with the immobility of wage earning labour.[53] The owners and managers of capital have benefited substantially from the restructuring of the American and European economies in particular.[54] The massive increase in the sheer scale of lucrative financial and stock trading can be attributed to the policies of financial deregulation and the rising needs of globally integrated corporate finance.[55] The general effect of embedded financial orthodoxy demonstrated by "reduced deficits, reduced spending, reduced taxes, and the most exalted deity, low inflation – have favoured financial interests at the expense of workers and have created an international rentier class".[56]

Third, *inequality stems from the flexibility of the global division of labour* and the earning difference between workers on the basis of what they individually add to the global economy.[57] A fact emerges that there is a global division of labour that will benefit workers depending on where the worker fits into the worldwide division of labour and occupational structure – if at all.[58] Some worker's skills are valued by the global economy and some are not,[59] but this valuation changes over time. Belonging to large firms or living in wealthy nation-states no longer offers security because "stepped-up global competition [has] kept redesigning the variable geometry of work and markets".[60] Instead of a single movement or arrangement that benefits all, there is now a multiplicity of movements that effect various professions in differing ways – ushering dramatic inequality and insecurity for many. However, this "deterioration of living and

---

[52] Nikolas Rose, "The Death of the Social? Re-figuring the Territory of Government" *Economy and Society*, Volume 25, Number 3, August 1996, p. 339.

[53] Scholte, *Globalisation, a critical introduction*, pp. 239-40.

[54] Paul Krugman, *The Age of Diminished Expectations* revised edition (Cambridge, The MIT Press, 1994), p. 176 and Martin and Schumann, *The Global Trap*, chp 4. New sets of jobs to facilitate financial transactions (risk arbitragers, leveraged buyout and take over specialists) and entrepreneurs who utilised finance to a means to personal fortunes, were distinct winners in the main part. Krugman, *The Age of Diminished Expectations*, p. 177.

[55] New sets of jobs to facilitate financial transactions (risk arbitragers, leveraged buyout and take over specialists) and entrepreneurs who utilised finance to a means to personal fortunes were distinct winners in the main part. Krugman, *The Age of Diminished Expectations*, p. 177. See also Chossudovsky, *The Globalization of Poverty*, p. 20.

[56] Ethan Kapstein, "Workers and the World Economy", *Foreign Affairs* Volume 75 No 3 May/June 1996, p. 29.

[57] Castells, *End of the Millennium*, p. 72 and Reich, *The Work of Nations*, p. 172.

[58] Castells, *The Rise of the Network Society*, pp. 278-9.

[59] Reich, *The Work of Nations*, pp. 174-9.

[60] Castells, *The Rise of the Network Society*, p. 278.

working conditions", which takes on different forms in different nations and different regions within nations,[51] affects already vulnerable people with increased exploitation.[52] Most notably there is the structural unemployment evident within European countries and decreasing real wages and rising job insecurity in the USA.[53] However, the main implication for work in the informational-global economy is that of

> a *core labor force*, formed by information-based managers and those whom Reich calls "symbolic analysts", and a *disposable labor force* that can be automated and /or hired/fired/off shored, depending upon market demand and costs. ... So that in the absence of specific agreements on stabilising one or various dimensions of work, the system will evolve into multifaceted, generalised flexibility for workers and working conditions.[54]

This flexibility and the rise of part time and casual routine production and service employment and the rise of informational work are all tightly caught up in the diverging fortunes of workers.[55] Part of this flexibility has come from the weakened position of organised labour in a context where firms "play workplaces and production sites off against each other"[56] and where governments actively oppose trade union activity.[57] Indeed this divergence of fates is central to increasing national inequality in western countries, despite differing institutional arrangements across the western world.[58]

The consequences of the patterns and accelerating levels of inequality and poverty are significant. This changing network of economic relations appears to be producing a global hierarchy of social relations in addition to patterns of fragmentation and polarisation. This hierarchy represents a fundamentally uneven distribution of social opportunities that produces the social dislocation and vulnerability seen across the contemporary world. Not only do these trends produce horrific levels of suffering and vulnerability but they also pose significant challenges for policy-makers and scholars. These challenges include various forms of insecurity, deeper forms of vulnerability and social exclusion, as well as problems with social

---

[51] International Labor Organisation (ILO), *World Labour Report 1994* (Geneva, ILO, 1994), p. 1. See also Scholte, *Globalisation, a critical introduction*, pp. 222-4.
[52] Castells, *End of the Millennium*, p. 72.
[53] Castells, *The Rise of the Network Society*, p. 273.
[54] Castells, *The Rise of the Network Society*, p. 272.
[55] Rifkin, *The End of Work*, pp. 167-169 and UNDP, *Human Development Report 1999*, p. 37.
[56] IG-Metall chairman Klaus Zwickel cited in Martin and Schumann, *The Global Trap*, p. 131. See also Lee, "Globalisation and Employment: Is Anxiety Justified?", pp. 492-3.
[57] Castells, *The Rise of the Network Society*, p. 278.
[58] Castells, *The Rise of the Network Society*, pp. 276-8.

cohesion and political representation that ultimately culminate in the public questioning of the legitimacy of prevailing forms of governance.

Insecurity

Nonetheless, these social and political challenges should not come as a surprise. Economic globalisation translates into societies across the world adjusting to free market capitalism that produces substantial social divisions that are continually being reshaped by technology, economic flexibility, and global competition. While vulnerability is obviously borne by those around the world who live in conditions of poverty, economic globalisation develops forms of insecurity and risk that diffuse in wider and wider circles. In many ways Gill's notion of a "market civilisation" is manifest by people being increasingly affected by the fluctuations and vicissitudes of deregulated transnational capitalism. The shift in governance, new information technologies and organisational shifts towards 'post-Fordist' work practices all contribute towards "minimizing the distance between economy and society".[69] Consequently, insecurity is extending across the world because working conditions are increasing shaped by the fluctuations of markets in ways that affect even wealthy people. As the UNDP claims:

> In both poor countries and rich, dislocations from economic and corporate restructuring and dismantled social protection have meant heavy job losses and worsening employment conditions. Jobs and incomes have become more precarious. The pressures of global competition have led countries and employers to adopt more flexible labour policies, and work arrangements with no long-term commitment between employer and employee are on the rise.[70]

This flexibility is not exercised evenly. It is felt more severely in some quarters such as by women (who dominate the services industry) and by older workers from declining industries.[71] Insecurity is extremely high for people in unskilled work because poverty and unemployment are ever-present dangers.[72] Processes of "re-engineering" or restructuring of companies have become a source of 'jobless growth' and insecurity for a range of workers. Even in highly paid

---

[69] Manuel Castells, *The Informational City* (Oxford, Blackwell, 1989) p. 17.

[70] UNDP, *Human Development Report 1999*, p. 37.

[71] Preface in Daniel Drache and Meric Gertler (eds.), *The New Era of Global Competition, State Policy and Market Power*, p. xi and Cynthia Enloe, "Maid for Export" *New Statesman & Society*, Dec 1, 1989 vol. 2 no. 78, p. 29. In addition the illegal trafficking in women and girls for sexual exploitation is growing immensely with the growth of globally connected organised crime. As the UNDP indicates, such exploitation is "a form of slavery and an inconceivable violation of human rights. In Western Europe alone, about 500,000 women and girls from developing and transition economies are entrapped in this slave trade each year". UNDP, *Human Development Report 1999*, p. 42.

[72] Rifkin, *The End of Work*, p. 5. Reich claims, "if you graduated from college, your earnings improved; if you did not and especially if you were male, you got poorer". Reich, *The Work of Nations*, p. 207.

or high technological work there is increasing insecurity as companies utilise technology at the expense of labour, use part time workers in order to cut costs, and move certain jobs to other cheaper locales.[73] Nevertheless, there can be no doubt that the greatest insecurity and vulnerability rests with those around the world, especially in the developing parts of the world, who exist in the ranks of the poor.[74]

Another source of considerable insecurity stems from the volatility of financial markets. While changes in the value of products can have a destabilising effect for a region dependent upon a product that decreases in price, changes in capital movements have a wider and more severe destabilising effect. The widespread deregulation of financial markets has meant that capital moves across borders more readily and affects societies more sharply. When there has been a general crisis in confidence that a particular country can address its debts, for example, financial crises quickly develop. Within the context of economic globalisation these crises have occurred with greater frequency and the "harms have extended far beyond the investors who knowingly take risks. Indeed, the greatest pains of global financial instability have often hit highly vulnerable social circles".[75] Financial crises in Latin America in 1994-5, Asia in 1997-8, Russia in 1998, Brazil in 1999 and Argentina in 2001 are all examples of the national economy interacting with the global financial system to produce significant levels of inflation, unemployment, bankruptcies and other forms of human suffering. The subsequent interventions of international agencies like the IMF that are designed to alleviate economic instability often have the effect of magnifying the social distress.[76] In addition, the human impact of these crises persist long after the economic problems are addressed.[77] In this way the global economic system can capriciously reduce and condition the social opportunities of people around the globe.

A third way insecurity extends across the world is via forms of ecological insecurity. While many of these forms of insecurity and risk ultimately threaten everyone, actual processes of ecological degradation and pollution affect the lives of people presently. Such degradation is a "chronic and 'silent emergency' that threatens the livelihoods of some of the poorest people

---

[73] Scholte, *Globalisation, a critical introduction* pp. 220-1. See also Richard Sennett, *The Corrosion of Character* (New York, WW Norton, 1998)
[74] Scholte, *Globalisation, a critical introduction*, pp. 215-7.
[75] Scholte, *Globalisation, a critical introduction*, p. 218.
[76] Chossudovsky, *The Globalization of Poverty*, pp. 15-6.
[77] UNDP, *Human Development Report 1999*, p. 40. The Report notes that while economies recover "studies of past economic crises show that unemployment persists long after inflation subsides and exchange rates recover. People take longer to recover than economies" (p. 40).

of the world".[78] Not only are there many poor people living in low lying lands likely to be affected by rising sea levels or extreme weather created by global warming,[79] but also poor people around the world obviously do not have the resources to cope with these threats. While free market capitalism certainly accelerates the degradation of ecological systems, neo-liberal governance has not only licensed this acceleration but has limited measures aimed at curbing ecological degradation.[80] While there have been significant developments with global environmental governance through the proliferation of environmental treaties, such measures have operated in the ideological shadow of neo-liberal governance and the practical politics of governments prioritising embedded financial orthodoxy or structural adjustment programs by abandoning environmental projects.[81]

These forms of insecurity are compounded by the absence of political avenues whereby people can obtain some sense of surety or control. Because states have increasingly become facilitators of global capitalism, people are not only vulnerable to the vacillations of the market but many are also vulnerable to the operation of private concentrations of power that are not tightly restrained by the state. Powerful market actors such as TNCs are able to exercise considerable influence because they posses the resources and mobility to open up economic opportunities in particular states.[82] But the power that these companies' posses and the potential they have to leave a given locale create a lack of local control. The operation and influence of the global financial markets, high levels of debt and the advice and influence of the international financial institutions also generate this powerlessness.[83] The judgements of global capital can severely curtail and discipline a given nations' domestic choices.[84] In addition, social arrangements can be rearranged by economic crisis and the means imposed by governments via international organisations such as the IMF to strengthen economic fundamentals.[85] Principles of new constitutionalism are evident in the ways these processes are protected from political interference from democracy. Ultimately, the context of economic globalisation reduces the significance of democracy and citizenship to offer forms of

[78] UNDP, *Human Development Report 1999*, p. 43.
[79] UNDP, *Human Development Report 1999*, p. 43.
[80] Matthew Paterson, "Car Culture and Global Environmental Politics", *Review of International Studies* 26 2000, pp. 254-5 and Ken Conca, "The WTO and the undermining of global environmental governance" *Review of International Political Economy* 7:3 Autumn 2000.
[81] Scholte, *Globalisation, a critical introduction*, p. 212.
[82] See Cynthia Enloe, "The Globetrotting Sneaker", *Ms. Magazine*, March-April 1995 vol. 5 no. 5.
[83] Scholte, *Globalisation, a critical introduction*, pp. 215-6.
[84] Korten, *When Corporations Rule the World*, p. 131.
[85] UNDP, *Human Development Report 1999*, p. 40.

protection or opposition. Dissenting or questioning voices are often only found at the fringes of civil society.

The nation-state has been the forum for democracy and citizen involvement in public decisions across the Western World and has spread across much of the globe. However, just as this spread of democracy has been increasing, neo-liberal international organisations, the practices of new constitutionalism and the competition state all place discipline on government action that reduce the state's contact with its public and maximise its responsiveness to the global markets. In this context democracy, in its liberal representative form where people select their representatives, runs into a series of problems within a globalising age. In terms of democratic participation in public policy and political outcomes, there are a series of "disjunctures" in a globalising age between the public and outcomes because so many global influences cut across the territory of the state.[86] These disjunctures are magnified by the rationale of neo-liberal governance. The influence of global market forces and the states need to maintain credibility in the face of these forces places even more significant restrictions over the ideal of a vibrant democratic sphere. Not only is there an ideological convergence of political parties in many nation-states around neo-liberal policies,[87] but the promotion of market forces and economic growth removes many political alternatives and control over aspects of economic policy from democratic consideration.[88]

Likewise, active citizenship has been curtailed in those countries where democracy is exercised. Citizenship is an organising principle of political authority that bestows certain rights and obligations as well as the competency to be engaged in political affairs on the adult populace granted with this status.[89] While liberalism has long emphasised representative democracy and taken the view of citizenship as being limited to rights and status,[90] neo-liberal governance sidelines active participative governance. The practices of the competition state and new constitutionalism restrict the rights that citizens can expect to enjoy. In many ways it

---

[86] David Held, *Democracy and the Global Order* (Cambridge, Polity Press, 1995), chp 5 and 6. See also Scholte, *Globalisation, a critical introduction*, chp 11.
[87] Mishra, *Globalisation and the Welfare State*, pp. 102-3.
[88] Richard Falk, "State of Siege: Will Globalisation Win Out?", *International Affairs*, 73, 1, 1997 See also Gill, "Global Structural Change and Multilateralism", p. 13.
[89] Alastair Davidson, *From Subject to Citizen* (Cambridge, Cambridge University Press, 1997), p. 5 and 13.
[90] Will Kymlicka and Wayne Norman, "Return of the Citizen: A Survey of Recent Work on Citizenship Theory", *Ethics*, 104, January, 1994.It should be noted that there has been series of exclusions from the full entitlements of citizenship throughout the world. Both in historical exclusions of migrants and indigenous peoples (See Alastair Davidson, *From Subject to Citizen*) and in terms of privileging those who work. See Jocelyn Pixley, "Citizen, Worker or Client? State, Class and Welfare" in Michael Muetzelfeldt (ed.) *Society, State and Politics in Australia* (Marrickville, Southwood Press, 1992)

overturns the gradual development of the types of citizenship rights seen since the seventeenth century, as outlined by T H Marshall,[91] by restricting political and social rights in particular. The generally distanced nature of the citizen from an increasing array of international agreements and institutions that are often aimed at economic goals restrict political participation by privileging capitalism in law and in public policy.[92] Social rights are limited by the rationalised nature of the welfare state, the persistence of an underclass of people without "full citizenship", and the general austerity and priorities of the competition state.[93] Yet, the aspiration of state citizenship as evident in Marshall's theory of citizenship "assumed some form of nation-state autonomy in which governments were relatively immune from pressures within the world-system of capitalist nations".[94] However, the practices of neo-liberal governance and the competition state devastate this assumption. They open up society to the pressures of increased competition and decrease the autonomy of society from global pressures as a matter of institutional necessity. This dismantles the rights and processes of citizenship and democratisation that have "involved centuries of struggle for representation".[95]

Consequently, we can see that insecurity stems from both the presence of market forces *and* the absence of protective political mechanisms. Ultimately there has been a double displacement of state power towards *private market influences* such as corporations and financial markets, on one hand, and towards *external "supraterritorial" influences* of global and regional institutions on the other.[96] The development of this world order places limits on democracy and often frustrates the ability of people to determine their own future.

Social Fragmentation

There is also ample evidence to suggest that the fragmentary effect of economic globalisation is weakening the social cohesion of societies around the world. The fragmentary consequence of globalised capitalism on social life was a chief concern of the World Summit for Social Development in 1995.[97] While the weakening of civil life depends heavily upon the historical circumstance of a given society, it is clear that the impact of inequality and polarisation has an

---

[91] T H Marshall, *Class, Citizenship and Social Development* (Westport, Greenwood Press, 1963)
[92] Stephen Gill, "New Constitutionalism, Democratisation and Global Political Economy" *Pacifica Review*, 10 (1), February, 1998, p. 32.
[93] Dahrendorf, "The Erosion of Citizenship and its Consequences for Us All". See also Martin, and Schumann, *The Global Trap*, pp. 205-8.
[94] Bryan Turner, "Outline of a Theory of Citizenship", *Sociology*, 24, 2, 1990, p. 195.
[95] Gill, "New Constitutionalism, Democratisation and Global Political Economy"', p. 38.
[96] Scholte, *Globalisation, a critical introduction*, pp. 138-9.
[97] Scholte, *Globalisation, a critical introduction*, pp. 227. See also UNRISD, *States of Disarray*

unravelling effect on social cohesion.[98] Inequality, for instance, can disrupt already precarious relations between ethnic groups:

> Social tensions and conflicts are ignited when there are extremes of inequality between the marginal and the powerful. Indonesia shows what can happen when an economic crisis sets off latent social tensions between ethnic groups – or between the rich and poor. Recent research on complex humanitarian emergencies concluded that "horizontal inequalities" between groups – whether ethnic, religious or social – are the major cause of the current wave of civil conflicts.[99]

Not only can social cohesion break down when inequality exacerbates divisions, but poverty can create circumstances where paramilitary action becomes a way of making a living for many and new forms of "identity politics" becomes "a way of legitimizing these new shadowy forms of activity".[100] It is also important to recognise the role that leaders play in invoking and extending these divisions to maintain power within a context where they are often unable to promote poverty alleviation or otherwise maintain their legitimacy.[101]

Within the developed world problems of social cohesion are rarely as violent as paramilitary action. Nevertheless, there are still clear signs of a break down of social cohesion and comity. In particular there are signs that inequality and polarisation as well as the decreasing role of welfare functions under the aegis of the competition state are responsible for the gradual fraying of the "social compact" that was so prominent when embedded liberalism held sway across the western world.[102] Indeed, the "need to avoid socially disintegrative activities has not been joined by a clear policy understanding of how to minimize dislocation in the face of the tensions inherent in the structural imperatives of economic liberalization".[103] This is precisely *because* of the neo-liberal trust in economic growth and markets – there will be a divide between those who benefit and those who do not. The underlying tendency of neo-liberal governance is to accept that the "economic fates of citizens within a national territory are uncoupled from one another, and are now understood and governed as a function of their

[98] Dahrendorf, Ralf, "Economic Opportunity, Civil Society and Political Liberty", pp. 28-31, Smitu Kothari, "Where are the People? The United Nations, Global Economic Institutions and Governance" in Albert Paolini et al., *Between Sovereignty and Global Governance* (London, Macmillian, 1998), p. 187 and Richard Falk, *On Human Governance* (Cambridge, Polity Press, 1995), p. 174 and chp 6 more generally.
[99] UNDP, *Human Development Report 1999*, p. 36.
[100] Mary Kaldor, *New and Old Wars* (Stanford, Stanford University Press, 1999), p. 78
[101] Kaldor, *New and Old Wars*, p. 78.
[102] John Ruggie, "At Home Abroad, Abroad at Home: International Liberalism and Domestic Stability in the New World Economy", *Millennium*, Vol. 24, No. 3, 1994, p. 523 and Richard Devetak and Richard Higgott, "Justice Unbound? Globalization, States and the Transformation of the Social Bond" *International Affairs* 75, 3, 1999.
[103] Devetak and Higgott, "Justice Unbound", p. 488.

own particular levels of enterprise, skill, inventiveness and flexibility".[104] This fragmentation is accepted by the competition inspired state, despite the fact that it weakens forms of collective action such as the collective bargaining for wages and decreases the likelihood of redistribution.

Rather than societies coalescing around a national bargain and sharing a common fate, it is increasingly the case in some countries that wealthy groups within societies are increasingly unwilling to bear the burdens of contributing to the common good. Robert Reich asserts that this detachment is a form of secession and that it is "occurring gradually, without fanfare" and that while the elites still pledge national allegiance the "new global sources of their economic well-being have subtly altered how they understand their economic roles and responsibilities in society".[105] While the fragmentary effect of economic globalisation is not a violent secession it does pose significant consequences for societies around the world, especially through shifting patterns of taxation. The secession of the wealthy is evident with a decreasing tax burden on the rich and on corporations and an increasing tax burden on middle and low-income groups.[106] This shift is possible through the physical mobility of TNCs and the ability of TNCs to shift profits via "transfer pricing".[107] This leads to the competitive stance of states via 'market friendly' reductions in taxation of the wealthy and "company-specific tax concessions" (otherwise know as 'sweeteners') as governments feel the pressure to remain competitive and attractive to global markets.[108] The result of these forms of "corporate welfare" is such that the corporate share of taxes has fallen in America from 21.51 per cent in 1955 to 7.87 per cent; a "trend [that] holds for the OECD as a whole".[109] Thus while there are signs of polarisation, there is also a fragmentary effect associated with economic globalisation that challenges egalitarian aspirations associated with a social compact in which everybody shares from the economic successes of the national economy.

Reduced taxation results in a reduction in public services, public education and health and basic infrastructure across many developed countries. This not only feeds into the problems of

---

[104] Rose, "The Death of the Social", p. 339.
[105] Reich, *The Work of Nations*, p. 253.
[106] *The Economist*, "Disappearing Taxes", May 31st 1997, p. 19. See also Reich, *The Work of Nations*, p. 253 and Devetak and Higgott, "Justice Unbound", p. 488. Not only can they move the production process to competitive- low tax places but they can also move the profits to low tax areas. Places in the western world with high taxes such as Germany and the Scandinavian nations are especially susceptible to this activity and are under constant pressure to reduce taxes. Martin and Schumann, *The Global Trap*, pp. 198-201.
[107] Martin and Schumann, *The Global Trap*, pp. 198-201. Chp 8 more generally.
[108] Kenneth Thomas, "Corporate Welfare'" Campaigns in North America", *New Political Economy*, Vol. 2, No. 1, 1997, p. 117 and Jurgen Habermas, *The Postnational Constellation* (Cambridge, Polity Press, 2001), p. 69.
[109] Thomas, "Corporate Welfare'" Campaigns in North America", p. 117.

inequality and insecurity but it creates a society that operates at different levels with an elite than not only does not use these services but, according to Lasch, has also

> made themselves independent not only of crumbling industrial cities but of public services in general. They send their children to private schools, insure themselves against medical emergencies by enrolling in company-supported plans, and hire private security guards to protect themselves against the mounting violence against them.[110]

While Lasch may exaggerate this point, it is fair to claim that patterns of polarisation and fragmentation are evidence of an increasing triumph of the private over the public. Beyond the social problems already noted, this has significant implications for the legitimacy of the state that presides over these developments and allows those flourishing within economic globalisation to decrease their responsibility to those who are not.

The Antinomies of Neo-liberal Governance

While economic globalisation entails political-economic processes that transcend and circumvent the nation-state, economic globalisation is dependent upon the nation-state. Although capital and economic decision-making have become increasingly global and disembedded from the nation-state, these processes are still "partially embedded" in the territory of the state and thus dependent on the state "in producing and legitimating new legal regimes".[111] The nation-state has been central to modern developments in the spread and consolidation of liberal democracy and the development of international and (now) global capitalism. Under the aegis of the competition state, the nation-state is required to maintain law and order via a monopoly on authoritative coercion. The nation-state is a form of polity that has legitimacy, stemming from the fusion of administrative apparatus and community, and control over territory that international institutions simply do not have. By linking a vision of community to the administrative apparatus of the state the "power over life and death" is legitimised by "appealing to and mobilising deeper and more demanding feelings".[112] The nation-state is critical to neo-liberal governance because the nation-state allows for the overlapping notions of competition and consensus to coexist, that is, with nation-states

---

[110] Lasch, *The Revolt of the Elites and the Betrayal of Democracy*, p. 45.

[111] Saskia Sassen, "The State and the New Geography of Power" The London School of Economics, <http://www.lse.ac.uk/events/25_1_00sassen.htm> (Accessed on the 18th of October 2000), p. 21. See Robert Boyer, "State and Market" in Robert Boyer and Daniel Drache (eds.), *States Against Markets* (London, Routledge, 1996)

[112] Gianfranco Poggi, *The Development of the Modern State* (Stanford, Stanford University Press, 1978), p. 101.

competing against each other for capital upon a backdrop of a consensus regarding neo-liberalism. Undoubtedly, the nation-state also provides an *enclosed-domestic* belief system that continues to motivate forms of loyalty, sacrifice and acquiescence – even if nationalist claims are often disputed.[113] The idea of national community provides a crucial resource for effective and consensual governance. Thus far from being the end of the nation-state, neo-liberal governance requires the nation-state.

Yet, the combination of neo-liberal governance and the nation-state is deeply problematic. The nation-state is clearly in danger of losing its "legitimacy, institutionalised power and social embeddedness".[114] The practice of the competition state can be seen to undermine this historical sense of legitimacy in a number of ways despite the persistence of nationalism across the world.[115] First, the competition state is limited in the social policies it can readily enact. Because states are shaped by embedded financial orthodoxy and the actual operation of financial markets, states have to consider the reactions of these markets and weather financial bubbles and panics.[116] While the discipline of competition and embedded financial orthodoxy place severe limits or the ability of government to reach favourable social outcomes,[117] the state also actively enforces and extends the market discipline into social and economic life. This promotion of efficiency and competition requires breaking down organised labour, regulated work conditions, restrictive trade practices and breaking up monopoly situations including state enterprises.[118] Historically derived political or ethical principles are replaced by the free market logic. While there are some gains via increased efficiency the way these gains are enforced is not smooth or always accepted by society – it often requires elements of secrecy and force. This ushers in a context of conflict between the government and unions and local populations as seen across the advanced capitalist world during the 1980s, especially

---

[113] Manuel Castells, *The Power of Identity, Vol II of The Information Age: Economy, Society and Culture*, (Oxford, Blackwell, 1997), p. 29.

[114] Philip Cerny, "Paradoxes of the Competition State: The Dynamics of Political Globalisation", *Government and Opposition*, Vol. 32, n 2, 1997, p. 251.

[115] See Michael Billig, *Banal Nationalism* (London, Sage, 1995), Michael Mann, "Nation-states in Europe and Other Continents: Diversifying, Developing, Not Dying" *Daedalus*, V 122, 1993 and Paul James, "As Nation and State: a Postmodern Republic Takes Shape" in James, Paul (ed.), *The State in Question* (Allen & Unwin, St Leonards, 1996), pp. 224-5.

[116] Philip Cerny "The Infrastructure of the Infrastructure? Toward 'Embedded Financial Orthodoxy' in the International Political Economy" in Barry Gills and Ronen Palan, (eds.), *Transcending the State-Global Divide: The Neostructuralist Agenda in International Relations* (London, Lynne Rienner Publishers, 1994) p. 226. See also Philip Cerny, "International Finance and the Erosion of State Policy Capacity" in Phillip Gummett (ed.), *Globalisation and Public Policy* (Cheltenham, Edward Elgar, 1996)

[117] Rose, "The Death of the Social", p. 346.

[118] Stephen Bell, *Ungoverning the Economy, The Political Economy of Australian Economic Policy* (Melbourne, Oxford University Press, 1997), pp. 10-13 and Castells, *The Informational City*, pp. 23-4.

under Thatcher in the UK and Reagan in the US.[119] Richard Bellamy notes that in the case of Thatcher we see:

> The abuse of the electoral mandate to push through unpopular policies on the one hand, and the confrontation with independent associations inside and outside the state on the other... Together they reveal, far from coping with complexity and plurality of contemporary societies, this system encourages a logic of exclusion of internal and external 'enemies' that threaten the putatively sovereign will of those in authority.[120]

Across the non-Western World the enforcement is harsher with governments often not subject to democratic oversight – often with the financial aid and 'advice' of organisations such as the World Bank and the IMF.[121] Union activity is often suppressed by military force for instance.[122] Ultimately, the role of the competition state ushers in policies that may prompt social conflict and thereby challenge the democratic notion that the state is on the side of society.

Second, as a result of the limits and requirements of deregulation, states become shaped and beholden to constituencies beyond the nation-state, which can undermine the public sense that the state is responsible to society.[123] As such, states often prioritise the interests of transnational market actors instead of the constituencies within the nation-state. Thirdly, under the aegis of the competition state, government policy is ultimately enmeshed in the same manner of thinking as that of market actors, such as corporations.[124] This is because government policy is not just locked into considering market reaction to economic and social policy but the state is actively marketised – promoting itself within global markets.[125] This short-term, market orientated context problematises the ability of governments to pursue long-term democratic or social objectives. The enactment of long-term programs and public goods, such as those pursued by welfare states that cultivated public support within a context

[119] Castells, *The Informational City*, pp. 24-5.
[120] Richard Bellamy, *Rethinking Liberalism* (London, Pinter, 2000), p. 102. See also Richard Falk, "An Inquiry into the Political Economy of World Order", *New Political Economy*, Vol. 1, No. 1, 1996.
[121] Stephen Gill, "Globalisation, Market Civilisation, and Disciplinary Neoliberalism" *Millennium*, 1995 Vol 24, No 3, p. 405, p. 401 and Korten, *When Corporations Rule the World*, chp 3.
[122] For example, see the case of South Korea in Enloe, "The Globetrotting Sneaker", p. 12.
[123] Scholte, *Globalisation, a critical introduction*, pp. 138-9.
[124] Sassen, "The State and the New Geography of Power", p. 10.
[125] Philip Cerny, "Globalisation and Other Stories: the search for a New Paradigm for International Relations" *International Journal* Volume LI, No 4, Autumn 1996, p. 634 and Cerny "Paradoxes of the Competition State", p. 251.

of embedded liberalism,[126] become increasingly difficult within the context of economic globalisation.

These processes threaten to undermine the historical legitimacy that makes the nation-state so important to enacting a neo-liberal schema. The major implication of embedded financial orthodoxy is that governments cannot uphold the protective or strategic functions crucial to this legitimacy.[127] In one sense the state is becoming an instrument, or a "transmission belt" as Cox avers,[128] built around the task of pursuing economic growth by liberalising and deregulating. Thus, not only does this discipline potentially clash with responsibilities to the electorate and to long-term social objectives, but by increasingly being an instrument, the nation-state risks losing the associative and public character that gives the state its legitimacy.[129] In addition, because governments are sensitive to the discipline of global markets and locked into pursuing economic growth, they can overlook the social requirements of large sections of the population. The competition state is increasingly tightly wound into global financial markets and international financial institutions and less responsive to the electorate or to notions of national community or justice. Ultimately, the integrity of the nation-state cannot be assumed when "the policy orientation of the state has been pulled away from its territorial constituencies and shifted outwards".[130] Thus in some senses the state is turning inside out. In addition, economic results (in particular the improvement of living standards) are increasingly crucial to state legitimacy.[131] The national interest is a major argument made by governments to support deregulation and other efforts to open a state to the global economy.[132] But this source of legitimacy is clearly a two edged sword: after all, while economic growth and economic success may bestow some transient form of legitimacy upon governments enmeshed by neo-liberal governance, such gains are not guaranteed, and are certainly not spread evenly.

---

[126] Cerny "Paradoxes of the Competition State", p. 269. Philip Cerny "Globalisation and the Char [illegible] Collective Action" *International Organisation* 49, 4, Autumn 1995, pp. 604-7.
[127] Phillip Cerny, "What Next For the State?" in Eleonore Kofman and Gillian Youngs, *Globali[illegible] Practice* (London, Pinter, 1996) , p. 131.
[128] Cox, *Approaches to World Order*, p. 302
[129] Cerny, "What Next For the State?", pp. 124-5.
[130] Falk, "State of Siege", p. 129.
[131] Martin Carnoy and Manuel Castells, "Globalization, the Knowledge Society, and the Network State: Poulantzas at the Millennium", *Global Networks* 1, 1 (2001), p. 16.
[132] Cerny, "What Next For the State?", p. 136.

Thus there are signs that there are severe restrictions on the "things people can expect from even the best-run government".[133] This undermines the "symbolic social function" of the nation-state leading

> to a growing disjunction between democratic, constitutional and social aspirations of people – which are still shaped by and understood through the frame of the territorial state – on one hand, and the dissipating possibilities of genuine and effective collective action through constitutional political processes on the other.[134]

Clearly, this not only leads to "an erosion of the idea of a public interest",[135] but is also problematic for the stable reproduction of forms of governance suitable for any form of complex social organization, not to mention a moral license for the interventionism of neo-liberal governance. The ability of the nation-state with this symbolic sentiment to pursue political objectives is a source of considerable social power. The potential consequence of the competition state casts a long shadow over this power.

Hence we can observe the contradictions of the competition state. The emphasis of the state on the mobile owners of capital seems to be at the expense of those who are rooted to the society. This privileges competitiveness of firms over the citizenship of people. This also provides the central contradiction regarding the role of the state within neo-liberal governance; economic globalisation requires the support of the rule of law, the institutional support that is rendered by states and the international institutions set up by them.[136] Nation-states require the idea of national belonging and sharing a common fate, but this belief is difficult to sustain within an economic system and a pattern of governance where social life is being reduced to efficiency and competitiveness.[137] Thus while the competition state, in the Western World at least, ensures that the state survives economic globalisation and promotes the free market, the competition state does not guarantee public legitimacy in the long term. The weakened capacity of the competition state to promote welfare potentially endangers a stable society and, ultimately, capitalism. In many ways the competition state reflects Edmund Burke's notion that "a state without some means of change is without the means of its

---

[133] Cerny, "Paradoxes of the Competition State", p. 258.
[134] Cerny, "What Next For the State?", pp. 130-1.
[135] Philip Cerny, "Globalisation and the Erosion of Democracy" *European Journal of Political Research* Vol. 36, no. 1, August 1999, p. 2.
[136] Susan Strange, *Retreat of the State* (Cambridge, Cambridge University Press, 1996), p. xii.
[137] Cerny, "What Next For the State?", p. 130.

conservation".[138] The competition state is clearly a course of action that will enable states to adapt and survive in an era of economic globalisation. But the survival is a pyrrhic one that is problematic and tension ridden. While the state will survive, will capitalism survive in the long term? Will democracy or liberal society?

Protesting Globalisation

There are two indications that the legitimacy of the state is being questioned in parts of the world due to economic globalisation. The first is through reactions against economic globalisation within states. Some groups within societies around the world, most notably the *Zapatistas* in Mexico, explicitly resist neo-liberalism.[139] Other groups feel that the nation-state has lost its traditional legitimacy and increasingly identify with sub-national forms of identity,[140] because the state does not provide the desired sense of belonging, often because the state prioritises narrow economic goals and is locked into various external concerns. Despite the benefits of economic globalisation, the reliance on economic growth is not enough to secure widespread public support in many parts of the world because this 'progress' involves a "lessening, or in some cases a negating, of the quantum of political control exercised by the encompassed, especially in the least powerful and poorest zones of the global political economy".[141] This discontent is fanned by the inequality that stems from economic globalisation. Across the world there are sections of societies that seek some solace in forms of autarchic nationalism or despotism.[142] Richard Falk refers to this shift as "blacklash politics".[143] While there are significant signs of a progressive reaction against "globalisation-from-above" through the operation of social movements with global connections (what Falk refers to "globalisation-from-below"), an extreme nationalist backlash is evidence of insecurity and exclusion felt by some people.[144] Benjamin Barber warns that ultimately "if we cannot

---

[138] Edmund Burke, *Reflections on the Revolution in France* (Harmondsworth, Penguin, 1968[1790]), p. 105.
[139] Castells, *The Power of Identity*, pp. 68 and 72-83.
[140] Matthew Horsman & Andrew Marshall, *After the Nation-State: Citizens, Tribalism and the New World Order* (London, HarperCollins, 1994), p. x. See also Benjamin Barber, *Jihad vs Mc World* (New York, Ballantine Books, 1996)
[141] Mittelman, *The Globalisation Syndrome*, p. 5.
[142] Martin and Schumann, *The Global Trap*, p. 10 and Robert Kaplan, "Was Democracy Just a Moment" *The Atlantic Monthly* Dec 1997 <http://www.Theatlantic.com/issues/97dec/democ> (accessed 1st of July 1999)
[143] Richard Falk, "Resisting 'Globalisation-from-above" Through 'Globalisation-from-below' *New Political Economy*, Vol. 2, No. 1, March 1997, p. 22. See also Mittelman, *The Globalisation Syndrome*, pp. 234-5.
[144] Falk, "Resisting 'Globalisation-from-above" Through 'Globalisation-from-below'", p. 19. See also Mittelman, *The Globalisation Syndrome*, pp. 234-5.

secure *democratic* communities to express our need for belonging, *undemocratic* communities will quickly offer themselves to us".[145]

This danger is evident with social reactions against the fragmentation and immiseration of a globalised – *laissez-faire* social order similar to the circumstances of the 1930s as documented in Karl Polanyi's notion of a "double movement".[146] Polanyi sought to explain the rise of extreme nationalism, economic protectionism and war in the early twentieth century. His explanation indicated that these phenomena were a movement against the mid-nineteenth century attempts to create a self-regulating market.[147] The double movement thesis consists of the first movement, which is the institutionalised liberalisation and the dominance of the abstract market over society. The second movement is the sharp social reaction against the liberalised society, a reassertion of some sort of popular solidarity and control over social life so that people become more than an "accessory" of the capitalist economy.[148] Such reaction is evident in contemporary concerns regarding the inequality and insecurity stemming from economic globalisation.[149] Mark Rupert indicates that within the American context there are "at least two distinct positions – one which might be described as the cosmopolitan, democratically-oriented left (a position I will call "progressive"), and another – the nationalistic/individualistic far-right".[150] The latter stream of thought is fascinating because it exhibits the delusions and fears of a significant segment of a population that benefits massively from the operation of economic globalisation. In particular, the fears of the far right reactions to economic globalisation, in the shape of a "new world order" or world government, are evidence of profound suspicions of the power of external economic forces and the belief that the state is complicit in this condition.[151]

---

[145] Benjamin Barber, "Democracy at Risk" *World Policy Journal*, Volume XV, Summer 1998, pp. 34-5. Emphasis in original. Ralf Dahrendorf also warns of the "temptations of authoritarianism" in Dahrendorf, "Economic Opportunity, Civil Society and Political Liberty", pp. 31-4.

[146] Karl Polanyi, *The Great Transformation* (Boston, Beacon Press, 1957), p. 130. See also James Mittelman, "The Globalisation Challenge: Surviving at the Margins" *Third World Quarterly*, Vol. 15, No. 3, 1994 p. 428 and Cox, *Approaches to World Order*, pp. 31-2.

[147] Polanyi, *The Great Transformation*, pp. 68-9.

[148] Polanyi, *The Great Transformation*, p. 75. See also Mittelman, *The Globalisation Syndrome*, pp. 234-242.

[149] See Kapstein, "Workers and the World Economy" and Mittelman, *The Globalisation Syndrome*

[150] Mark Rupert, "Globalization and the Reconstruction of Common Sense in the US" in Stephen Gill and James Mittelman (eds.), *Innovation and Transformation in International Studies* (Cambridge, Cambridge University Press, 1997), p. 142.

[151] Rupert, "Globalization and the Reconstruction of Common Sense in the US", p. 150. Rupert notes that variants of this anti-government, anti-globalist "conspiracy narrative circulate within and among the following communities": The John Birch Society, which claims 40-60,000 members and a circulation of 50,000 for its magazine, *The New American*; The Liberty Lobby and readers of its publication, *The Spotlight*, which claims a circulation of 120,000; Overlapping segments of the Patriot/Militia/Gun-Rights/anti-Tax movements The Militia Task Force of the Southern Poverty Law Center has identified 441 militias and 809 Patriot groups active nationwide; Neo-Nazi and affiliated white supremacy groups, with an estimated 10-20,000 hard-core members

The second way in which the legitimacy of the state is being challenged is through the protests against the formal institutions of the global economic architecture, most notably the WTO and the G-7. The street protests in Seattle, Genoa and other places where the organisations of the global economy have convened is evidence of the constructed and contested nature of economic globalisation. However, the way these reactions against economic globalisation relate to the legitimacy of the state is somewhat convoluted. The tension between democratic governance and financial openness, or what Susan Strange referred to as the "clash between the legitimacy of the liberal economy and the legitimacy of the liberal polity", [152] is apparently being played out 'above' the state. In many ways the protestors against globalisation do not see the state as having a capacity to resist or moderate globalisation. The state, it seems, is not even worthy of being protested against. While I consider that this dismissal of the state is misguided in light of the crucial role the state plays in promoting economic globalisation, it points to the ways in which those seeking to resist economic globalisation doubt the legitimacy and capacity of the states influenced by neo-liberal governance.

Naturally, these protests are also evidence of disillusionment with the legitimacy of the formal institutions of the global economic architecture and economic globalisation more generally.[153] The appearance of protest movements and NGO's criticising these institutions not only opens up and complicates processes of policy formation but also challenges the ideas that underpin these institutions.[154] *The Economist* underscores the impact of the protest movements on neo-liberal governance:

> They are right on two matters, and the importance of these points would be difficult to exaggerate. The protestors are right that the most pressing moral, political and economic issue of our time is third world poverty. And they are right that the tide of "globalisation", powerful as the engines driving it may be, can be turned back. The fact that both these things are true is what makes the

---

and perhaps ten times as many sympathisers; Pat Robertson's Christian Coalition (claims 1 million members, 1.8 million adherents on its mailing list, and Robertson's publisher claims about 550,000 copies of New World Order are in print). See also Castells, *The Power of Identity*, pp. 84-97.

[152] Susan Strange, "Wake up Krasner! The World has Changed", *Review of International Political Economy*, 1:2, 1994, p. 216.

[153] Jan Aart Scholte, "Cautionary Reflections on Seattle" *Millennium*, Vol. 29 No. 1, 2000 and Stephen Gill, "Toward a Postmodern Prince? The Battle in Seattle as a Moment in the New Politics of Globalisation" *Millennium*, Vol. 29 No. 1, 2000. There were also the earlier protests against the MAI that were conducted principally on the Internet. See Stephen Kobrin, "The MAI and the Clash of Globalisations" *Foreign Policy*, N 112, Fall 1998.

[154] Robert Obrien et al., *Contesting Global Governance* (Cambridge, Cambridge University Press, 2000), p. 22. See also Kobrin, "The MAI and the Clash of Globalisations" *Foreign Policy*, N 112, Fall 1998, p. 106 and *The Economist*, "Anti-Capitalist Protests", Sep 23rd, 2000.

protestors – and, crucially, the strand of popular opinion that sympathises with them – so terribly dangerous.[155]

While there are many different motivations for the various protests, a central feature of these protests appears to be a belief among the protestors that the way economic affairs is currently organised is unjust and unsustainable. There are particular concerns in regards to the impact of structural adjustment on developing countries, the way trade regimes are insulated from ecological or social concerns and the generally secretive nature of processes within the international financial organisations.[156] Hence the legitimacy of the international financial institutions and the global economic architecture more broadly is being actively contested. This contest reflects the debated legitimacy of the WTO *within* the WTO membership at the 1999 Seattle meeting, especially among the poorer states despite a broad commitment to a rule based trading system.[157]

These protests also feed into an even broader and more profound question: how is this world to be governed? Processes of economic globalisation have accelerated the long-term development of globalisation and have emphasised the importance of global forms of co-operation and governance. The development of global governance is a relatively new endeavour stemming from the intensification of globalisation and interdependence during the twentieth century, massive crises in the form of world war, genocide and decolonisation, and the extension of multilateralism as an organising principle of the relations between states.[158] The types of problems that are manifest in this context are those that no single nation-state can manage on its own. These problems include managing economic interdependence, environmental management, ensuring security and moderating disputes between and within states, as well as the maintenance of an often disputed "common commitment" to human rights.[159] As I argued in the previous chapter, neo-liberal governance has been very influential in the development of contemporary global governance. Nevertheless, neo-liberal governance

---

[155] *The Economist*, "The Case for Globalisation", Sep 23rd, 2000, p. 17. See also Mittelman, *The Globalisation Syndrome*, pp. 234-5.

[156] In respect to the WTO meeting in Seattle in 1999 see Scholte, "Cautionary Reflections on Seattle" *Millennium*, Vol. 29 No. 1, 2000, Philip McMichael, "Sleepless since Seattle: what is the WTO about?" *Review of international Political Economy* 7:3 Autumn 2000 and Conca, "The WTO and the undermining of global environmental governance"

[157] Chakravarthi Raghavan, "After Seattle, world trade system faces uncertain future" *Review of international Political Economy* 7:3 Autumn 2000, p. 496.

[158] Christian Reus-Smit, "Changing Patterns of Governance: From Absolutism to Global Multilateralism" in Albert Paolini et al, *Between Sovereignty and Global Governance* (London, Macmillian, 1998), pp. 20-1.

[159] Commission on Global Governance, *Our Global Neighbourhood* (Oxford, Oxford University Press, 1995), p. 48.

and economic globalisation does hinder the promotion of effective global governance through the UN system.

It is not only the case that economic globalisation has deepened some key environmental and social problems,[160] but it has also ushered in a world order that sidelines institutions that are not involved with the neo-liberal project - including the UN system. Because neo-liberal governance extends deeply into the institutions of governance at a global and local level, other moral discourses, such as liberal internationalism or social democracy, have been sidelined or rearticulated by this dominant conception of governance.[161] This means that the UN can only be "the architectural facade of an underlying structure of power" - it cannot readily enact its role as a representative fulcrum for progressive global governance.[162] This is evident in the way the G-7 attempts to restructure the UN,[163] and the way in which issues of competitiveness and principles of new constitutionalism and neo-liberal ideas penetrate into environmental and social policy regimes.[164] This particularly concerns those countries in the developing world that are subject to the discipline of international financial institutions which they have little input into, while being linked into a UN which is representative but performs a relatively small role in global economic governance.[165] This dominance ensures that the UN, as well as other international organisations and regimes, are on a second rung of importance beneath the dominant international financial institutions.

Of especial concern to the UN is the future of "developing countries and countries with economies in transition" within the context of economic globalisation.[166] The task of global governance supporting these countries is an increasingly difficult one because the rising levels of inequality, poverty and insecurity complicate UN efforts to promote development and human rights - practices that reduce the conditions that ferment interstate conflict and achieve the UN promotion of "social progress and better standards of life in larger

---

[160] Falk, *On Human Governance*, Korten, *When Corporations Rule the World*, John Gray, *False Dawn: Delusions of Global Capitalism* (London, Granta Books, 1998), UNDP, *Human Development Report 1999* and Susan Strange, "The Westfailure System" *Review of International Studies* (1999), 25.

[161] In reference to the way liberal internationalism is effectively sidelined see Richard Falk, "Liberalism at the Global Level: The Last of the Independent Commissions?", *Millennium*, Vol. 24, No. 3, 1995. In reference to the ways social democracy has been reformulated under the banner of the Third Way see Alex Callinicos, *Against the Third Way* (Cambridge, Polity, 2001)

[162] Cox, *Approaches to World Order*, p. 309. See also Scholte, *Globalization, a critical introduction*, pp. 244-5.

[163] Nicholas Bayne, "The G7 Summit and the Reform of Global Institutions" *Government and Opposition* 30, No. 4, Autumn 1995.

[164] Martin and Schumann, *The Global Trap*, pp. 214-6 and UNDP, *Human Development Report 1999*, pp. 34-5.

[165] Scholte, *Globalisation, a critical introduction*, p. 249 and Kothari, "Where are the People"

[166] United Nations Millennium Declaration, Draft resolution referred by the General Assembly at its fifty-fourth session September 18, 2000, Section I. 5.

freedom".[167] Ultimately, economic globalisation produces a hierarchy of power, a fragmentation of social outcomes and a political sensibility of neo-liberal governance among the various authorities that obstructs efforts to manage co-operation towards social ends. This provokes and propagates the public attitude, evident at protests against agencies associated with economic globalisation, that the only way to effectively address issues of inequality and poverty is to challenge the core principles of neo-liberal governance and to question the fundamental practices of economic globalisation in order to respond to the serious problems that threaten humanity. In the words of the UNDP Development Report of 1999: "reinventing global governance is not an option – it is an imperative for the 21st century".[168]

Those protesting against the various agencies of the global economic architecture appear to be arguing that the current system of global economic governance is allowing unfettered capitalism to dominate to the detriment of many across the world. The legitimacy of prevailing institutions is in question precisely because the global economic order deepens social problems such as inequality, insecurity and societal fragmentation. With these protests it is clear that it is not just the UNDP or scholars arguing that global governance needs to be rethought in a world that is smaller and increasingly deregulated. At present many people around the world are also arguing that the way the world is governed needs to be rethought as well.

Liberalism and Economic Globalisation

The rethinking of governance is important exactly because of the scale of the social problems illustrated earlier. Even so, the rethinking of governance within a globalising context is especially difficult for scholars and policy-makers who subscribe to liberalism. Liberalism's close relationship with capitalism contrasts with socialist and many communitarian arguments that are chiefly opposed to globalised capitalism.[169] Nevertheless, while some strands of liberalism can be seen to support economic globalisation, others are troubled about the effect of economic globalisation on liberty and welfare. Ultimately, *the social consequences stemming from economic globalisation provoke questions of both a practical and ethical nature for those inspired by liberalism.*

---

[167] The Charter of the United Nations, preamble

[168] UNDP, *Human Development Report 1999*, p. 97.

[169] For a communitarian response see Richard Douthwaite, *Short Circuit* (Devon, Green Books, 1996). For a republican argument see Barber, *Jihad vs Mc World*. For a socialist argument see Sol Picciotto, "The Internationalising of the State", *Capital and Class*, Volume 43, Spring 1991 or Kim Moody, *Workers in a Lean World* (London, Verso, 1999)

Questions relate not only to the practical issue of how the legitimacy of neo-liberal governance may be bolstered but also to ethical issues of how the inequality and injustice of economic globalisation can be moderated. While liberalism has been an influential normative component of global politics through episodes of embedded liberalism and neo-liberalism, within the context of economic globalisation liberalism faces significant challenges as a broad perspective of governance.

It was indicated in the introduction to this dissertation that liberalism is defined by its emphasis on the importance of individual liberty. The broad tradition of liberalism can be understood in many different senses ranging from an "art of government" that leads to a type of society, to a political philosophy or to a party political platform.[170] While difficult to pin down,[171] liberalism is a historically developed way of thinking that has

> emphasized reason instead of tradition, contract rather than status, the present and the future instead of the past, the value and rights of the individual instead of that of existing power-holders, whose claims based on the superiority of cast or creed it challenged. Basically liberalism has been an attitude in defence of the individual man and citizen in defiance of the arbitrary acts of government. It has been anti-authoritarian in its desire to challenge and limit the strength and scope of the powers that be.[172]

Although this body of thought aspires to promote individual liberty through a democratic and constitutionally defined order,[173] economic prosperity and entrepreneurial freedom have also been especially prominent parts of the liberal legacy.[174] Liberalism is both a philosophical approach to political life and an ideology that has actually shaped modern political practice both within the state and beyond.

In a *philosophical* sense liberalism is "a body of ideas about social and political values, the principles that should govern political life, the grounds for political legitimacy".[175] In addition to the importance of liberty,[176] John Gray claims that liberalism also entails the ideas of

---

[170] Guido De Ruggiero, *The History of European Liberalism* (Beacon Hill, Beacon Press, 1927), p. 357.
[171] James Richardson, *Contending Liberalisms in World Politics: Ideology and Power* (Boulder, Lynne Rienner, 2001), pp. 18-20.
[172] E.K. Bramsteadand K.J Melhuish, Foreword in E.K Bramstead, and K.J Melhuish, *Western Liberalism* (London, Longman, 1978), p. xvii.
[173] Jean Hampton *Political Philosophy* (Boulder, Westview Press, 1997), pp. 179-80.
[174] John Gray, *Liberalism* Second Edition (Buckingham, Open University Press, 1995), pp 61-3.
[175] Richardson, *Contending Liberalisms in World Politics*, p. 18.
[176] De Ruggiero, *The History of European Liberalism*, p. 358.

individualism, egalitarianism, universalism and meliorism.[177] These ideals lead to the notion of equal liberty, which is based on the belief that each and every adult human is best able to determine their own preferred life without arbitrary interference from others.[178] Deeply embedded within liberalism are the conceptions of progress[179] and the melioration of institutions – the belief that social and political life can be fashioned towards equal liberty.[180] Nonetheless, there are various divisions within liberalism as to how these values can be understood and pursued.[181] Most notably there is the division between neo-liberalism or "laissez-faire" liberalism that emphasises non-interference in the market and "social" and "welfare" liberalisms that support government interference to enable the market to produce more equitable social outcomes.[182] While liberalism can be understood in this philosophical sense, liberalism can also be understood as the *ideology* that underpins modernity[183] and the constitutional arrangements supporting capitalism.[184] Despite historical variations within liberalism,[185] liberal norms, particularly the principle of non-interference and the promotion of property rights have profoundly shaped political institutions across the western world, as well as at an international level, and have legitimated the existence and spread of capitalism across the world.[186] While normative conceptions of equal liberty have always been essentially and inextricably contested, at various times and places certain liberal conceptions have prevailed and shaped the content of political economic practices.

---

[177] Gray, *Liberalism*, p. xii.

[178] Hampton *Political Philosophy*, pp. 179-80.

[179] The central challenge to liberalism is to "unite the principle of conservation with that of progress" (De Ruggiero, *The History of European Liberalism*, p. 362) or "how can we combine that degree of individual initiative which is necessary for progress with the degree of social cohesion that is necessary for survival?" (Bertrand Russell, *Authority and the Individual* (London, George Allen and Unwin, 1969), p. 11.)

[180] Gray, *Liberalism*, p. xii. Or as Ralf Dahrendorf claims "societies may be more or less free. More or less pleasing to the liberal; but liberty remains under all circumstances a challenge and a task. It is a challenge which arises from fundamental uncertainty of the human condition: since we do not know what is best for us, we must try to explore solutions." Ralf Dahrendorf, *Life Chances* (London, Weidenfield and Nicolson, 1979), p. 37. However, from the perspective of critical theory this melioration merely suggests "problem solving" because it asks how the prevailing social order can be sustained and carried forward – rather than examining the full range of potential alternative orders. See Cox, *Approaches to World Order*, pp. 88-90.

[181] See Richard Bellamy, *Liberalism and Modern Society* (Pennsylvania, Pennsylvania State Univer[illegible] ress, 1992), Will Kymlicka, *Contemporary Political Philosophy* (Oxford, Clarendon Press, 1990), chp 2-4, Richardson, *Contending Liberalisms in World Politics*, chp 3.

[182] Richardson, *Contending Liberalisms in World Politics*, p. 32-8. See also Conrad Waligorski, *Liberal Economics and Democracy: Keynes, Galbraith, Thurow and Reich* (Kansas University Press of Kansas, 1997), pp. 4-8.

[183] Ronald Beiner, "What Liberalism Means", in Ellen Frankel et al (eds.), *The Communitarian Challenge to Liberalism* (Cambridge, Cambridge University Press, 1996)

[184] Gill, "New Constitutionalism, Democratisation and Global Political Economy"

[185] Bellamy, *Liberalism and Modern Society*

[186] Richardson, *Contending Liberalisms in World Politics*, p. 55-6. See Craig Murphy, *International Organisation and Industrial Change* (Cambridge, Polity Press, 1994)

Consequently, liberalism has been a crucial ideational influence over the notion of acceptable government as it has actually existed in the modern period.[187] While ontological conceptions of liberal government have been contested in actual terms by socialism and fascism during the twentieth century, and in a theoretical sense by various strands of philosophy, liberalism has nonetheless survived its competitors and spread across the world during this time. Also, while liberalism has been resisted in various ways by some societies in Asia and the Middle East, liberalism has still been partially encoded in the spread of capitalism and national self-determination as well as the development of international institutions and regimes.[188] However, the spread of liberalism has reached a high point with the global development and diffusion of neo-liberal governance.[189] While this rationale of good government is by no means purely neo-liberal philosophy or indeed the only normative alternative of liberalism, it has ushered in a new expansion in the influence of liberalism. It is pertinent to note that although this ascendency is deeply problematic, it is not without some important and progressive developments in the ways states around the world can cooperate and promote the rule of law[190] – even if there is a hierarchy within this cooperation between the elevated concern for economic matters compared with other concerns. Nevertheless, neo-liberal governance faces significant problems.

It is my contention that liberals are faced with a series of dilemmas by the social and political impact of economic globalisation. While these dilemmas are framed by already existing normative positions within liberalism in respect to the debates between neo-liberalism and social liberalism regarding capitalism, these positions do not eliminate the practical or ethical dilemmas that economic globalisation poses. It is not only the emerging world order that is challenging for liberals. The manner by which economic globalisation can be moderated is also deeply problematic. For while liberals believe in the centrality of capitalism for individualism and prosperity, it is this system in its global form that is the source of problems to other liberal aims of stability, equal liberty and democracy. I contend that there are three main difficulties stemming from the social impact of economic globalisation for liberalism.

---

[187] See Christian Reus-Smit, *The Moral Purpose of the State* (Princeton, Princeton University Press, 1999), chp 6. Reus-Smit asserts that in the modern period "the moral purpose of the modern state lies in the augmentation of individuals' purposes and potentialities, in the cultivation of a social, economic and political order that enables individuals to engage in the self-directed pursuit of their 'interests'" (p. 123).
[188] Richardson, *Contending Liberalisms in World Politics*, pp. 59-65.
[189] Richardson, *Contending Liberalisms in World Politics*, pp. 85-90.
[190] Hurrell and Woods, "Globalisation and Inequality", p. 449.

The first difficulty for liberals is the financial and social turbulence that results from the unregulated nature of economic globalisation. The emphasis on economic growth and the profit of economic agents has meant that the vacillations of the markets have become accepted even though "they have failed too many people [for] too long".[191] Even in the extreme case of the turbulence generated by global finance, efforts so far to moderate the system have been partial and aimed at securing the interests of investors more so that slowing down global finance, even despite the financial crises around the world.[192] Likewise redistributive programs within and beyond the state have been de-legitimised by the growing neo-liberal faith in market outcomes.[193] Development and prosperity are following the networks of capital that bisect the nation-state, leaving dislocation and despair in the 'black holes' in the global informational economy. The reliance on economic growth is also posing problems of ecological and social sustainability. As James Wolfenson, the President of the World Bank, maintains "if we do not have greater equity and social justice, there will be no political stability and without political stability no amount of money put together in financial packages will give us financial stability".[194] However, as obvious as the weaknesses and contradictions in this global social order are, it is entirely possible that the entropic social order and restricted prosperity in the arms of the elite could endure. The global economy can function with considerable disorder. Indeed history demonstrates that political disorder, insecurity and social conflict have to reach a high level and breadth of severity before all economic life grinds to a halt.[195] The global economy can operate without widespread prosperity or earning power amongst nations or people. The extension of a global economy with a patchwork of order and insecurity, prosperity and debt ridden poverty seems "to suggest that like a human body whose limbs have had to be amputated, the world economy can still continue to find ways to function in a less than complete or ideal fashion".[196] There is nothing to suggest that this is pleasant or overwhelmingly stable, let alone consistent with liberal values.

Second, the problem of these social effects for liberals is that they affect the condition of liberty. Increasingly people's ability to plan and live their lives is hampered by the political, economic and civil conditions imparted by economic globalisation. Indeed, while economic

---

[191] Kapstein, "Workers and the World Economy", p. 37.
[192] Scholte, *Globalisation, a critical introduction*, pp. 218-9.
[193] Scholte, *Globalisation, a critical introduction*, p. 245.
[194] Cited in Devetak and Higgott "Justice Unbound", p. 483.
[195] Strange, *Retreat of the State*, p. 191.
[196] Strange, *Retreat of the State*, p. 192.

globalisation "has improved economic efficiency and it has provided enhanced individual liberty for many; ... in its failure to secure social justice on a global scale, it also inhibits the liberty for many others".[197] Economic globalisation has altered the conditions in which equal liberty is maintained by liberal nation-states and thus challenges liberal visions for a sustainable and workable liberal society.[198] Social opportunities are polarising along with incomes and location within the global webs of economic activity. In sum economic globalisation is aimed at increasing the liberty of capital not people and thus "is not working to advance human freedom".[199] Where liberty exists within the networks of the informational-global economy it exists at the expense of the liberty and personal sense of security of people elsewhere within the networks of the global economy, or more probably beyond them, in the bypassed parts of the global economy.

Third, even those liberals not overly concerned about the ethical consequences of economic globalisation still have to be concerned about the legitimacy of neo-liberal governance.[200] Neo-liberal policymaking strikes a difficult balance in promoting economic globalisation. On one hand, neo-liberal governance attempts to utilise the "nation-state" as a cultural cloak for legitimacy and efficacy in promoting an interventionist and deregulatory program that opens up society in order to promote economic growth and profitability. On the other hand, the neo-liberal policies enacted divest governments of wide ranges of discretionary power over directing economic goals by surrendering power to markets and international institutions.[201] As examined earlier, this calls into question the legitimacy of the state and thereby threatens to undermine the gradual and incremental nature of the enactment of neo-liberal governance. While this muddling through has supported the reproduction of global capitalism so far, despite leaving entropy and polarisation in its wake, can this balance last for long? While some claim that economic globalisation needs to be 'explained better',[202] even those enthusiastic supporters still need to demonstrate how capitalism will hold together in the short-term and how governance will unfold in the long-term. It is difficult to emphasise enough the concern that liberals have with at least appearing to travel in the direction of just and legitimate social order – this is a practical *"political problem"* as well as a moral one.[203] The significance of public legitimacy is interesting given the importance that liberals place on individualism, but points to

---

[197] Devetak and Higgott "Justice Unbound", p. 483.
[198] Dahrendorf, "Economic Opportunity, Civil Society and Political Liberty", pp. 22-3.
[199] Grey, *False Dawn*, p. 208.
[200] See Kapstein, "Workers and the World Economy" and Devetak and Higgott, "Justice Unbound",
[201] Hurrell and Woods, "Globalisation and Inequality", p. 463.
[202] *The Economist*, "The Case for Globalisation", Sep 23rd, 2000, p. 17.
[203] Devetak and Higgott, "Justice Unbound", p. 488. Emphasis in original.

the dependence that liberalism has on consent rather than coercion for the social cohesion and stability needed to secure stable capitalism.

These problems indicate the ways the social impact of economic globalisation concerns liberals. This creates the question of *whether liberalism can adequately address the social problems that stem from economic globalisation.* My response to this question is one of doubt. While the next part of this dissertation explores this doubt, there are two underlying reasons for my scepticism that liberalism can moderate economic globalisation. The first is that there is an underlying reluctance on the part of liberals to regulate or interfere in the activity of individuals,[204] especially when they are operating as economic agents.[205] This reluctance to regulate is best captured by Karl Polanyi's criticism that the underlying rationale of liberalism provoked the fascism of the inter war years:

> The victory of fascism was made practically unavoidable by the liberals' obstruction of any reform involving planning, regulation, or control... Freedom's utter frustration in fascism is, indeed, the inevitable result of the liberal philosophy, which claims that power and compulsion are evil, that freedom demands their absence from a human community.[206]

The reluctance to plan or regulate in the interests of society is currently manifest in the many ways states leave the fate of their society to the fluctuation of markets.[207] While this is a distinctly neo-liberal unwillingness to interfere in the lives of individuals, what about those social liberals who are more willing to interfere? With the notable exceptions of social liberals such as T. H. Green and L. T. Hobhouse, and welfare liberals such as John Rawls and Ronald Dworkin, social strands of liberalism have been more about improving the operation of markets by regulation rather than democratising or socialising markets by regulation.[208] Nonetheless, liberalism of laissez-faire and social derivations faces another significant limit to the ability of liberalism to moderate economic globalisation. In many respects despite philosophical strands of liberalism at the fringes expressing doubt and apprehension, liberalism as an ideology has denied the social problems that capitalism produces and has thereby become an apology for established power relations.

---

[204] See Philip Pettit, *Republicanism* (London, Oxford, 1999), pp. 40-3 and Berlin's assertion of "negative liberty" in Isiah Berlin, *Two Concepts of Liberty* (Oxford, Oxford University Press, 1958), p. 8.
[205] Gill, "New Constitutionalism, Democratisation and Global Political Economy", pp. 25-7.
[206] Polanyi, *The Great Transformation*, p. 257.
[207] Scholte, *Globalisation, a critical introduction*, pp. 215 and Falk, "Liberalism at the Global Level, p. 568.
[208] Richardson, *Contending Liberalisms in World Politics*, pp. 36-9.

The second avenue of doubt stems from whether and how political power could be mobilised to moderate economic globalisation, even if liberalism could overcome its inveterate aversion to significant regulation. It is one thing to desire to regulate economic activity but it is another thing to have political institutions and public support to enact such regulation. In a globalising age this becomes a complicated issue because while many liberals have long dreamt of institutionalising universalist principles across the entirety of the globe, the state has been the main instrument of governance for enacting liberal principles of justice in practice.[209] This leaves liberals having to decide first either to construct a global polity or begin by defending the veracity of the state. This boils down to a quandary facing liberals rethinking governance, a *liberal dilemma of public power* within an era of economic globalisation: *where should public power be situated?* In order to deal with economic globalisation, do we begin by attempting solutions at the level of the state or do we develop global strategies first? While the state has been the context where citizenship as a legal and normative framework has been constructed that enabled the possibility of stable, prosperous social relations, these relationships have been significantly unravelled by economic globalisation. This dilemma is sharpened by ethnic and national resurgence within the nation-state that raises the imagery of stratifying community, which may be seen as a danger to liberal values. As such the overarching goal is to avoid the twin dangers of resurgent nationalism and possible conflict on the one hand and an unjust and unstable social order on the other. As to the latter, can forms of governance that exclude the state operate to mediate the social effects of global capitalism? Can the state be redirected away from neo-liberal governance?[210] While the view circulates in some circles that the state is finished as an effective political unit within the context of economic globalisation,[211] in the first part of this thesis I have argued otherwise. However, while I argue that the state is central to the trajectory of economic globalisation, this does not invalidate the arguments made by authors who locate the possible form of governance that can best moderate global capitalism elsewhere. The complexity of global capitalism will in all probability require a complex, multi-level strategy of action that will combine not only institutional and policy elements, but new and pre-existing elements of governance. Yet the role of the state cannot be disregarded.

While these underlying doubts frame the potential of future liberal governance to moderate economic globalisation, these doubts is particularly sharp for rationale of neo-liberal

---

[209] Held, *Democracy and the Global Order*, p. 233.
[210] Falk, "An Inquiry into the Political Economy of World Order", p. 16 and Scholte, *Globalisation, a critical introduction*, pp. 286-7.
[211] See Kenichi Ohmae, *The End of the Nation State: The Rise of Regional Economies* (London, Harper Collins, 1995)

governance. Proponents of neo-liberal governance have two rejoinders to those who doubt the validity of economic globalisation. The first is that while there will be short-term problems and costs associated with deregulation and liberalisation, in the long-term they will produce expanding prosperity.[212] The second is that there is simply no alternative that is superior to liberal representative democracy and free markets.[213] The response to these rejoinders is clear. To the first: the long-term gains are doubtful and the problems of legitimacy are problems *now*. The long-term gains of the market are unlikely to be either evenly or quickly allotted without political redistribution. The second rejoinder is that there is a clear *need* on the part of neo-liberals and liberals who more reluctantly support economic globalisation to forge adjustments to economic globalisation or to rethink the underlying rationale of governance. Not only *are* there actual liberal alternatives to neo-liberal governance, as we will see in the second part of this dissertation, but liberal policy-makers and scholars have faced the ways in which capitalism produces social problems in the past.[214] Economic globalisation is yet another case where the meliorist nature of liberalism and the need to perpetuate capitalism gives rise to alternative formulations of governance to those that actually prevail.

Yet the evaluation by liberals of global capitalism varies from the confidence of libertarian thinkers who see the extension of economic globalisation as good, despite some short-term pain, for the whole of humanity, to other liberals who are far less confident. Many liberals and some capitalists have reservations about the ethical consequences, viability and sustainability of global capitalism, not to mention the effect on the elaboration of liberal democracy in the Western World and elsewhere.[215] In short there are liberals who argue that something must be done, that alternative programs of public action are required. Evidently

> everything is in flux, nothing lasts, not even the blessings of prosperity, civil society and democracy... The overriding task of the First World in the decade ahead is to square the circle of wealth creation, social cohesion and political freedom. While completely squaring the circle is impossible, one can get close to it- which is probably all a realistic project for social well-being can hope to achieve.[216]

---

[212] Hurrell and Woods, "Globalisation and Inequality", p. 448. See also Waligorski, *Liberal Economics and Democracy*, pp. 4-5.
[213] *The Economist*, "The Case for Globalisation", p. 17.
[214] Richardson, *Contending Liberalisms in World Politics*, pp. 36-9.
[215] George Soros, "Capitalism's Last Chance?", *Foreign Policy*, No. 113, Winter 1998-9.
[216] Dahrendorf, "Economic Opportunity, Civil Society and Political Liberty", pp. 22-3.

This task is a challenging one for liberals. A movement towards squaring the circle requires a new account of good government that addresses the social problems stemming from economic globalisation. It is clear that economic globalisation creates social effects and political consequences that cannot be merely "tinkered" with. Efforts to place minor restrictions on global capitalism ignore the deep and profound nature of a world order where ideas and institutions have a natural fit. Grafting institutions at odds with the fundamental organisational principles and material reality of world order is simply not possible. Ultimately, "while we wonder about risks, we must not forget to think about solutions".[217] In forwarding an alternative account of good government we need to recontextualise and rethink the fundamental conditions of our political association if a foil for global capitalism or indeed a *different kind* of capitalism is to be possible.

Investigating Liberal Alternatives

If the global economy operated so that it did not produce graphic inequality, polarisation and the contested legitimacy of institutions that underpin this economy, liberals would have few qualms about economic globalisation. The fact that it does indicates how liberals confronted by the reality of global capitalism in an ethical and practical sense. In the face of these problems, different authors emphasise different effects as the crucial issue that liberals should be concerned about when rethinking liberal governance. Some are interested with the future of capitalism,[218] some are more concerned with the welfare of people,[219] while others are more concerned about the future and the possibilities of effective democracy.[220] The three most distinctive approaches to governance within a globalising context that have emerged from liberalism will be examined in the next three chapters. Each prescribes a different form of governance based upon a different argument of how governance ought to be arranged to respond effectively to economic globalisation. The first set of governance is *extended neo-liberalism*, a form of governance argued by proposers of the Multilateral Agreement on Investment (MAI) and Kenichi Ohmae. This approach argues for the limitation and ultimately the disaggregation of the nation-state in order to secure prosperous global capitalism. The second set of governance is *contractual nationalism*, according to which Robert Reich and Will Hutton, as well as the broad political approach of the Third Way, argue that the effects of

---

[217] Dahrendorf, "Economic Opportunity, Civil Society and Political Liberty", p. 35.
[218] Ohmae, *The End of the Nation State*
[219] Such as Held, *Democracy and the Global Order*
[220] Such as Falk, *On Human Governance* and Reich, *The Work of Nations*

global capitalism can only be moderated and the gains maximised at the level of a cohesive nation-state. The last approach to governance is *cosmopolitan governance* in which Richard Falk and David Held argue for a globally integrated system of rule.

These three liberal positions all concur that economic globalisation has a profound influence over both people's lives and political institutions. However, the manner of dealing with the nature and social effects of economic globalisation differs significantly. These authors have been selected not only because of their focus on economic globalisation and contemporary changes in the nation-state. They also stand out because they each posit a definite program of action that extends beyond tinkering with governance and suggests a distinctively liberal assemblage of values, institutions and policies. As such, they represent discernible but divergent views of the future of the nation-state and different responses that point toward a liberal future which departs from some or all of the elements of neo-liberal governance. Each of these authors has a differing vision of liberalism and their own distinct view of what economic globalisation is and the problem it represents. These authors, and this dissertation, address the important question of what ideas could shape how the world *should* be governed.

The first part of this dissertation set out to examine the nature and significance of economic globalisation for liberal aspirations of governance. It has found that economic globalisation is a world order of transnational capitalism consisting of interlocking material, normative and institutional elements that occur within longer-term processes of globalisation. The ethical rationale of neo-liberal governance and related processes of deregulation and liberalisation underpin this world order. These structures and processes engender a wide range of social problems that undermine the legitimacy of neo-liberal governance. The writers in the next part grapple with these consequences. These responses go beyond merely being concerned with practical and ethical consequences of economic globalisation and pose practical plans of action that seek to rearrange prevailing forms of governance. As this chapter has beheld this is not an easy task; the observation by liberals of the scale of the social problems evident across the world and the dramatically reshaped role of the state is not a comfortable view.

Part II

Liberal Responses to Economic Globalisation

CHAPTER FOUR - EXTENDED NEO-LIBERALISM: GOVERNING WITHOUT THE STATE

> We are writing the constitution of a single global economy.[1]

> No more than Canute's soldiers can we oppose the tides of the borderless world's ebb and flow of economic activity. The only real question, then for political leaders - the only responsible question - is whether those tides can be harnessed to provide a better life for their people.[2]

Clearly there is significant social dislocation associated with a global economy that is primarily organised on a deregulated basis. Yet there are also significant gains in wealth to be made. There are some liberals who argue that these long-term gains are worthwhile but will require stronger forms of liberalisation and deregulation than prevailing neo-liberalism to be fully unleashed. This approach of liberal governance is depicted in this chapter as extended neo-liberalism. While there are different ways in which an unfettered global market can be enabled, the approach of extended neo-liberalism sees the nation-state as an impediment to the economic and ethical gains of an even more deregulated economic order. While neo-liberal governance relies upon the nation-state to enact deregulation, the approach explicated in this chapter perceives the nation-state to be a threat to the realisation of high levels of deregulation as well as possessing the potential to reverse this deregulation in the future. This is because the state ultimately embeds more than just capitalism or competitiveness; it also reflects the various interests in society.[3]

The ideas presented in this chapter represent differing ways the nation-state can be sidelined in order to restrict 'special' interest groups, democracy and cultural values that could impede the neo-liberal project. As such these ideas represent both a continuation of the neo-liberal project and a break with the neo-liberal practices outlined in Chapter 2. While neo-liberal governance seeks to deepen capitalist practices into the nation-state, the ideas of extended neo-liberalism seek to dramatically entrench and protect neo-liberalism by reducing the presence of the nation-state. While neo-liberal governance advances capitalist interests mostly

---

[1] Renato Ruggerio, Director-General of the World Trade Organisation, speech delivered at the WTO Singapore Ministerial Meeting, December 1996.
[2] Kenichi Ohmae, "Putting Global Logic First", *Harvard Business Review*, Feburary 1995, p. 125.
[3] Allen Scott, *Regions and the World Economy* (Oxford, Oxford University Press, 1998), p. 13.

by incremental and shadowy *de facto* interventionism, I contend that the approach of extended neo-liberalism seeks to separate economics and politics in a more obviously *de jure* sense by ensuring that market forces overtly dominate politics. This goal echoes the 'minimal' state as characterised by the 'public choice' and libertarian schools of thinking that seek to propel reforms in public institutions so that the discretion of state activity is narrow and limited to market supporting goals.[4] However, the *de jure* approach of extended neo-liberalism entails reforming the operation of the nation-state within a global context.

Two ways in which the nation-state could be curtailed are presented here to outline the possibility of an approach to governance that extends beyond the balancing of neo-liberalism and the nation-state, towards the substantiation of a system of governance even more distant from people and democracy than neo-liberal governance. The first approach is demonstrated in the form of the Multilateral Agreement on Investment (MAI) organised within the Organization for Economic Cooperation and Development (OECD; an unsuccessful but portentous attempt to create a regime that dramatically constrains what the nation-state can protect and regulate. This attempt sought to entrench corporate power by way of a legal structure *across* nation-states under the aegis of the OECD. The second stems from the ideas of Kenichi Ohmae. Ohmae argues that the nation-state is an anomalous form of governance in a globalising world and that there needs to be a radical devolution of authority to the local level to make the most of economic globalisation. To this end, Ohmae argues for the transformation of the *internal* structure of the nation-state in order to advance global capitalism. After outlining these two approaches, the chapter will then examine the significant problems that the underlying rationale of these approaches has in being able to moderate the social exclusion evident in economic globalisation.

The Multilateral Agreement on Investment

The MAI is an international economic agreement that was negotiated at the OECD. The MAI was intended to enhance the mobility of assets of investors across international borders. The MAI would take the investment provisions of the North American Free Trade Area (NAFTA), amplify these provisions, and apply them globally by beginning with the wealthy OECD nations and then extending the agreement across the world.[5] Confidential negotiations

---

[4] Peter Self, *Government by the Market? The Politics of Public Choice* (London, Macmillan Press, 1993), chp 3.
[5] This meant excluding the developing nation-states from involvement in the negotiations. Stephen Kobrin, "The MAI and the Clash of Globalisations" *Foreign Policy* N 112 Fall 1998, p. 100.

began in May 1995 within the OECD. The agreement was originally scheduled to be completed by May 26, 1997, but by the April 1998 Ministerial meeting of the OECD, negotiators agreed to postpone further negotiations until October 1998, although bilateral meetings occurred throughout the summer of 1998.[6] In October 1998, negotiators met in Paris and decided to consult again in December but France withdrew from the last round of discussions, leading to the failure to assemble the MAI at the OECD.[7] As of early 1999 the MAI was switched to the WTO. So while the OECD round of negotiations was a failure, the ideas of the MAI are far from finished. Also, at its core, the OECD round of the MAI represents an approach to governance that continues to be compelling, especially for those in the corporate sector.

The key draft provisions of the MAI indicate why neo-liberals and those involved with corporate capitalism are so in favour of this type of an international regime that adapts free trade principles to transnational investment flows.[8] The provisions include

> *National Treatment*, which requires countries to treat foreign investors at least as well as domestic firms. While governments would be prohibited from discriminating against foreign investors, there would be nothing to stop governments from treating foreign corporations more favourably than domestic ones.
>
> *Most Favored Nation* (MFN), which requires governments to treat all foreign countries and all foreign investors the same with respect to regulatory laws.
>
> A limitation on *Performance Requirements*, which are any laws that require investors to invest in the local economy or to meet social or environmental goals in exchange for market access.
>
> Banning restrictions on the *Repatriation of Profits and the Movement of Capital*, thus ensuring that corporations and individuals can move their assets more easily.
>
> A ban on *Uncompensated Expropriation* of assets. The MAI would require governments, when they deprive foreign investors of any portion of their property, to compensate the investors immediately and in full. Expropriation would be defined not just as the outright seizure of a property but would also include governmental actions "tantamount to expropriation." Thus, certain forms of regulation could be argued to be expropriation, potentially requiring governments to compensate investors for lost revenue.

---

[6] The Preamble Center, "The Multilateral Agreement on Investment: Timeline of Negotiations" <http://www.cepr.net/globalization/MAI/maihist.html > (Accessed 10th of February 2002), p. 1.
[7] The Preamble Center, "The Multilateral Agreement on Investment: Timeline of Negotiations" p. 1.
[8] Jan Aart Scholte, *Globalisation, a critical introduction* (Basingstoke, Palgrave, 2000), p. 104.

> The MAI includes *"Roll-back" and "Standstill" Provisions* that require nations to eliminate laws that violate MAI rules (either immediately or over a set period of time) and to refrain from passing any such laws in the future. State and local, as well as federal laws, would likely be affected. Some existing laws will be exempted.
>
> In its current form, the MAI does not contain language on the *Responsibilities of Corporations* regarding treatment of employees, environmental protection, fair competition or other issues. There is discussion of including an existing OECD code of corporate responsibility in the MAI, but these provisions would be non-binding.
>
> *Investor-to-State Dispute Resolution.* The MAI would enable private investors and corporations to sue national governments, and seek monetary compensation, when they believe a law, practice or policy in a country violates investors' rights as established in the agreement.[9]

These provisions clearly extend beyond the need to rationalise the 1,600 bilateral investment treaties that already exist into a single multilateral framework.[10] Particularly, there is an increase in the power and protection that investors have with regards to governments and citizens, as well as a decrease in the types of action that governments can undertake to influence investor activity. At the heart of the MAI is a globalisation of investor rights, including the right to legally challenge governments that disadvantage foreign investment, in all nation-state's that have ratified the MAI.

Given that the series of MAI drafts negotiated between 1995 and 1998 were not enacted it is impossible to determine how these provisions would have been implemented in reality.[11] However, for our purposes it is possible and important to draw out the intent and some of the implications of this approach of governance. The intent is clear in the preamble of The MAI Negotiating Text (as of 24 April 1998):

> Considering that international investment has assumed great importance in the world economy and has considerably contributed to the development of their countries;

---

[9] Sforza Michelle et al., "Writing the Constitution of a Single Global Economy: A Concise Guide to the Multilateral Agreement on Investment - Supporters' and Opponents' Views" <http://www.cepr.net/globalization/MAI/keyprovs.html> (Accessed 10th of February 2002), p. 4

[10] Kobrin, "The MAI and the Clash of Globalisations", p. 100.

[11] Kobrin, "The MAI and the Clash of Globalisations", pp. 100-101.

Recognising that agreement upon the treatment to be accorded to investors and their investments will contribute to the efficient utilisation of economic resources, the creation of employment opportunities and the improvement of living standards;

Emphasising that fair, transparent and predictable investment regimes complement and benefit the world trading system;

Wishing that this Agreement enhances international co-operation with respect to investment and the development of world-wide rules on foreign direct investment in the framework of the world trading system as embodied in the World Trade Organisation;

Wishing to establish a broad multilateral framework for international investment with high standards for the liberalisation of investment regimes and investment protection and with effective dispute settlement procedures.[12]

In short, the overriding objective of the MAI is to further entrench neo-liberalism in way that legally compels participating states to protect the current level of global integration and to pave the way for further global economic integration. This necessarily means protecting corporate business interests from political and legal interference. Thus the OECD draft of the MAI represents an extension of Stephen Gill's concept of "new constitutionalism".[13] While new constitutionalism represents an attempt to insulate economic policies from political scrutiny in order to make governments more responsive to the discipline of market forces and therefore less responsive to democratic processes, this type of attempt has hitherto mostly been conducted within nation-states or within regions.[14] James Goodman maintains that the MAI was a "remarkably bold (and reckless) bid for power".[15] It represents an attempt to take new constitutionalism to a comprehensive and global level that dramatically strengthens the power of corporations. This clearly represents an intensification of prevailing patterns of neo-liberal governance and confirms Renato Ruggerio's claim that the MAI is the new constitution of a 'single global economy'.

---

[12] OECD, *The MAI Negotiating Text* (Directorate for Financial, Fiscal and Enterprise Affairs, as of 24 April 1998), p. 7.

[13] Stephen Gill, "New Constitutionalism, Democratisation and Global Political Economy" *Pacifica Review*, 10 (1), February, 1998 and "European Governance and New Constitutionalism: Economic and Monetary Union and Alternatives to Democracy" *New Political Economy*, Vol 3, No 1, 1998.

[14] Gill, "European Governance and New Constitutionalism", p. 5.

[15] James Goodman, "Stopping a Juggernaut: the anti-MAI campaign" in James Goodman and Patricia Ranald (eds.), *Stopping the Juggernaut: public interest versus the Multilateral Agreement on Investment* (Annandale, Pluto Press, 2000), p. 35.

What would the draft MAI have changed or done if it were successful? Clearly nation-state's that ratify the MAI will be required to ensure that states and lower levels of government comply with the MAI.[16] This means opening all economic sectors to foreign ownership and treating foreign investors no less favourably than domestic firms by removing performance requirements and other laws that require investors to behave in prescribed ways in exchange for market access.[17] This potentially includes local economic development and local content laws, laws that ban the production or sale of dangerous products and laws designed to conserve natural resources, since such laws may put foreign investors at a competitive disadvantage. Thus governments would have to dismantle restrictions on the movement of capital.[18] Governments would also have to compensate investors if their assets are expropriated, either through seizure or "unreasonable" regulation and accept a dispute-resolution process allowing investors to sue governments for damages before international panels when they believe a nation-state's laws are in violation of MAI rules. Corporations would play a direct role in enforcing the MAI since they will have the right to challenge governments and seek damages when they believe a law is in violation of the agreement.[19]

Supporters of the MAI argue that a comprehensive set of rules governing investment is needed to lock in the deregulation that has already taken place over the last two decades of the twentieth century. The primary purpose of such an agreement would be to *reduce* the "market distorting" effects of policies that require investors to respond to a discipline other than that of market forces or discriminate against foreign capital.[20] Thus the MAI protects the rights of investors to free and predictable access to markets as well as conflict resolution mechanisms for disputes between governments and TNCs. Supporters of the MAI argue that these changes will ultimately lead to overall increases in efficiency and competition and thus levels of investment and economic growth leading to the creation of new jobs and other economic opportunities including benefits to consumers in the form of lower prices.[21]

---

[16] James Goodman, "Stopping a Juggernaut: the anti-MAI campaign", p. 34.

[17] James Mittelman, *The Globalisation Syndrome* (Princeton, Princeton Press, 2000), p. 229.

[18] This rules out measures aimed at moderating financial instability by restricting the use of investment controls which some countries have used to avoid rapid disinvestment and disasters like the Mexican or the Asian financial crises. Sforza et al., "Writing the Constitution of a Single Global Economy", p. 7.

[19] The fear is that "this could invite widespread challenges to existing and future regulations and could allow investors to use the mere threat of potentially costly lawsuits to intimidate governments that are considering the passage of new regulatory laws". Sforza et al., "Writing the Constitution of a Single Global Economy", p. 6.

[20] Mittelman, *The Globalisation Syndrome*, p. 229.

[21] Furthermore "for proponents of globalization, the process is not only inevitable – since it is seen as a direct product of the steady march of technological innovation – but overwhelmingly beneficial. Proponents acknowledge that not everyone gains from the increasing integration of the world economy – unskilled manufacturing workers in high wage countries, for example, may be displaced. But they argue that the gains from

Behind the Multilateral Agreement on Investment

The confidence in the MAI's ability to generate substantial economic benefits was central to the OECD's efforts. But entrenching the business interests of the twenty-nine member states was also imperative, so while governments negotiated the MAI, TNCs and business interests were involved from the start.[22] Like the NAFTA agreement, the idea of locking in neo-liberal reforms and liberalisation stemmed from both governments and business. This is manifest in giving TNCs a legal standing that protects both their interests and their ability to pursue redress for government actions that affect the profitability of businesses under the MAI provisions. Thus despite losing areas of policy discretion, most state governments welcomed the idea of not only entrenching neo-liberal policies but also magnifying corporate power and putting it in law.[23]

Nonetheless, this observation was to become problematic as negotiations progressed. While the organisers of the MAI within the OECD agreed upon the principle of a codified investment regime, disagreements existed as to what areas of economic activity should be covered by such a regime. In particular France and Canada argued for "cultural" exemptions that the US (particularly because of its significant film making industry) did not want.[24] The US also disagreed with the EU negotiators who argued that preferential treatment to member nations of the EU might be an "unavoidable by-product of integration".[25] The US government strongly opposed any exemption that would enable the EU to have policies that may place US firms at a competitive disadvantage to EU firms.

Corporate interests clearly dominated the negotiation of the MAI. The US was represented at MAI negotiations by the State Department and the office of the United States Trade Representative (USTR) which was working "hand-in-glove" with the US Council for International Business (USCIB) – a business council whose membership in [illegible] s senior

---

increasing competition and the more efficient allocation of resources are far greater than the losses faced by any particular group." Sforza et al., "Writing the Constitution of a Single Global Economy", p. 2.

[22] 487 of the Fortune 500 largest TNC have headquarters in OECD nations. Maude Barlow and Tony Clarke, *The MAI and the Threat to American Freedom* (New York, Stoddart, 1998), p. 7.

[23] Barlow and Clarke, *The MAI and the Threat to American Freedom*, pp. 11-12.

[24] Barlow and Clarke, *The MAI and the Threat to American Freedom* p. x.

[25] The Preamble Center, "The Multilateral Agreement on Investment: Timeline of Negotiations", p. 1.

executives of large US TNCs.[26] While the US government wanted a "'high standard' investment agreement" there were 36 Advisory Committees that advised the USTR,[27] moreover

> of these 36 committees, only one is formally charged with assessing the impacts of multilateral agreements on the environment. By the same token, there are only a handful of labor representatives on the advisory committees while there are more than 500 business representatives.[28]

The aim was clearly to ease the flow of capital by ensuring predicability before and after investment, not to promote labour or environmental standards. Indeed the MAI draft claimed that these tasks, while important, were a task for other international regimes and organisations.[29] As such, the implicit goal on the part of business interests was to give unparalleled power to investors and thus safeguard these interests from social standards, government interference and public scrutiny.

Thus it is no surprise that despite the MAI draft's profound implications, few outside of the circles of the technocratic and business elites were initially aware of the MAI's objectives and level of development. Little attempt was made by OECD governments to inform their respective publics of the purpose of the MAI even when the negotiations were at an advanced stage.[30] In fact a policy of secrecy was followed in most OECD nation-states.[31] Just before the MAI was to be debated in the US congress, two congressmen remarked, "if you have never heard of this agreement, you are in good company. Most members of Congress haven't either".[32] Knowledge of the MAI began to spread in January 1997 when a draft of the MAI

---

[26] Barlow and Clarke, *The MAI and the Threat to American Freedom*, p. 12. See also Goodman, "Stopping a Juggernaut", p. 38.
[27] Barlow and Clarke, *The MAI and the Threat to American Freedom*, p. 10.
[28] The Preamble Center, "The Multilateral Agreement on Investment: A 'Bill of Rights' for International Investors"? <http://www.cepr.net/globalization/MAI/4-pager.html>(Accessed 10th of February 2002), p. 2.
[29] "Renewing their commitment to the Copenhagen Declaration of the World Summit on Social Development and to observance of internationally recognised core labour standards, i.e. freedom of association, the right to organise and bargain collectively, prohibition of forced labour, the elimination of exploitative forms of child labour, and non-discrimination in employment, and noting that the International Labour Organisation is the competent body to set and deal with core labour standards world-wide." OECD, *The MAI Negotiating Text*, p. 9.
[30] Goodman, "Stopping a Juggernaut", p. 33.
[31] Barlow and Clarke, *The MAI and the Threat to American Freedom*, p. 13 and Goodman, "Stopping a Juggernaut", pp. 38-43.
[32] Letter from Representatives Ron Klink and Cliff Stearns to the House of Representatives, August 28, 1997. The Preamble Center, "The MAI in the Words of Framers, Supporters and Opponents" <http://www.cepr.net/globalization/quotes.html>(Accessed 10th of February 2002), p. 1.

was leaked to some interested citizens and put on the internet, thereby prompting a massive level of public disquiet in virtually all participating states.[33]

Because a climate of concern regarding economic globalisation already existed, many environmental, labour, human rights and community groups feared that the MAI could have serious consequences.[34] They maintained that aside from bypassing democracy, the MAI could deepen economic globalisation's 'race to the bottom' by making it easier for investors to move finance and production facilities from one country to another and thereby increase the pressure on nations across the world to compete for investment by lowering wages and labour, environmental and consumer-safety standards.[35] These public concerns played an important part in the failure of the MAI in the OECD because they prompted a substantial international campaign by interested social movements and parts of some governments against the MAI. Anti MAI forces gathered in significant strength precisely because the MAI would affect a wide range of NGO concerns, from the environment to indigenous rights.[36] Importantly, this public dissatisfaction points to the ways that developments within economic globalisation *provoke* a civic reaction that was coupled with an increasing global awareness of the machinations of international financial institutions such as the OECD. This campaign was organised and enacted mostly over the internet and placed the OECD organisers under "unprecedented scrutiny" as well as placing information regarding the proposed agreement in the public arena.[37] This had the effect of not only politicising the MAI in many nation-states but turning the MAI into a visible "lightning rod" for public dissatisfaction regarding economic globalisation across the western world and NAFTA in North America.[38] This scrutiny had a substantial impact on the disagreements between OECD delegates because the "growing pressure from civil society further exacerbated the differences of opinions within the OECD".[39] Thus, the national differences and the international campaign combined to slow and ultimately derail the OECD attempt to implement the MAI.

---

[33] Barlow and Clarke, *The MAI and the Threat to American Freedom*, p. x, Scholte, *Globalisation, a critical introduction*, p. 270 and Kobrin, "The MAI and the Clash of Globalisations"
[34] Kobrin, "The MAI and the Clash of Globalisations", pp. 104-5.
[35] Barlow and Clarke, *The MAI and the Threat to American Freedom*, p. 2.
[36] Goodman, "Stopping a Juggernaut", p. 34.
[37] Kobrin, "The MAI and the Clash of Globalisations", p. 98.
[38] Kobrin, "The MAI and the Clash of Globalisations", p. 105.
[39] Kobrin, "The MAI and the Clash of Globalisations", p. 99. James Goodman claims that the "anti-MAI campaigners had adeptly exploited the OECD's legitimacy deficits and politicised its 'backroom' negotiations". Goodman, "Stopping a Juggernaut", p. 43.

Clearly, while the MAI was a dramatic failure in the OECD, the idea of the MAI is very much still alive. In an ideological sense it continues to hold much weight in business and government circles and in a legal sense it is still being discussed to see what form the ideas of the MAI could take. The WTO has emerged as the forum where the MAI is being negotiated after ideas to forge a scaled back agreement or a MAI as a set of "hortatory principles" within the OECD were not followed.[40] Canada, France, the UK and Holland have supported this approach, while the U.S. originally opposed moving negotiations to the WTO, on the grounds that a WTO agreement would probably be much weaker.[41] A WTO version of the MAI is unlikely to have the strength of NAFTA like investment provisions because of developing nation desires to protect national sovereignty (the reason that the OECD was the location of the MAI in the first place).[42] Yet the WTO is still an organisation shaped primarily by neo-liberal ideas that could forge a strong investment regime that, while lacking the boldness of the original MAI, may still serve corporate interests well.

At its core, the MAI is a very simple idea: eradicate any restraints on capital markets by enacting a decentralised legal regime that takes the discretionary power away from governments. This is significant step within the development of new constitutionalism where

> what is being attempted is the creation of a political economy and social order where public policy is premised upon the dominance of the investor, and reinforcing the protection of his or her property rights. The mobile investor becomes the sovereign political subject.[43]

However, the entrenchment of this order on a global scale not only seeks to make the neo-liberal supremacy of public policy more securely dominant, but it also provokes the type of reaction seen against the MAI precisely because the proposers of the MAI overstepped the bounds of neo-liberal governance. The incremental adjustments wrought by neo-liberal governance operate through the nation-state in a way that steadily widens economic globalisation without obviously and blatantly dismissing the democratic nature of the nation-state. The MAI is a form of *extended* neo-liberal thought because it steps out from the half-light of the practice of neo-liberal governance and seeks not only to protect investors but also to make them 'sovereign'. In doing so, this development utterly reshapes governance in a way that undermines people's belief in the nation-state and eliminates the relatively minor forms of

---

[40] The Preamble Center, "The Multilateral Agreement on Investment: Timeline of Negotiations", p. 2.
[41] The Preamble Center, "The Multilateral Agreement on Investment: Timeline of Negotiations", p. 2.
[42] Barlow and Clarke, *The MAI and the Threat to American Freedom*, p. 10.
[43] Gill, "New Constitutionalism, Democratisation and Global Political Economy", p. 23.

social protectionism, such as 'cultural exemptions', that tend to satisfy the public and suborn discontents to the prevailing direction of liberalisation and deregulation embedded within the nation-state. However, there is another way to deepen neo-liberal capitalism that does not involve a 'global constitution' that enmeshes the state, but rather seeks to alter the state from within.

Operating Within a Borderless World

Kenichi Ohmae's writings about the future of politics are an extension of his work as a management consultant, where he emphasised the need for corporations to adapt to the newest economic forces and trends. His books regarding the changing basis of worldwide economic activity have emphasised the role that technology and TNC's play in changing the manner and level of competition.[44] Ohmae's analysis of this transformation turned to politics in *The End of Nation State*, where he stated that it is not only corporations that need to adapt to a global economy but the nation-state as well. In his view the nation-state and a global economy are fundamentally at odds and it is the nation-state which must adapt to the forces of transnational competition and the way the global economy is functioning, not the reverse.

Ohmae believes that since the 1970s there has been a fundamental change in the world economy and the way corporations operate.[45] The driving force of these changes has been the impact of information technology, which he claims has allowed transnational capital movement to be easier and therefore more significant, as well as increasing the flexibility and responsiveness of corporations and economic processes to the preferences of consumers.[46] This change has three main implications. The first is the changing patterns of where economic activity is occurring. In 1985 Kenichi Ohmae forwarded the idea of the "Triad" existing between the economies of Japan, the United States and Europe.[47] While economic activity and profit making opportunities are centred on these key economies, the dynamism of this new pattern of economic activity is evident through wider economic linkages that radiate from these three hubs, such as Japan's linkages with Asia.[48] This "Interlinked Economy" represents for Ohmae a new engine of dynamic growth and technological invention that is profoundly

---

[44] Kenichi Ohmae, *Triad Power: The Coming Shape of Global Competition* (New York, The Free Press, 1985), *The Borderless World: Power and Strategy in the Global Marketplace* (London, Harper Collins, 1990), *The End of the Nation State: The Rise of Regional Economies* (London, Harper Collins, 1995).
[45] Ohmae, *The End of the Nation State*, p. 27.
[46] Ohmae, *The End of the Nation State*, p. 27.
[47] Ohmae, *Triad Power*
[48] Ohmae, *Triad Power*, pp. 121-2.

shaping how firms do business and governments govern.[49] In addition, the continued intensification and spread of information technology has developed networks of capitalism that flow to opportunities within a state or across multiple states. As such, Ohmae emphasises the rise of regional clusters of capitalist development or what geographer's refer to as "glocalisation".[50] Ohmae refers to these clusters as "region states", actual existing "natural economic zones" that may fall within the borders of a nation-state (such as Baden-Wuttemberg in Germany) or span nation-states (such as the Growth Triangle of Singapore, Johore in Malaysia and the Riau Islands of Indonesia).[51]

The second element of Ohmae's analysis of a changing world economy is the rise of a new logic by decision-makers in business and government. Ohmae believes that a new global economic structure that rewards flexibility stems from the four "I's" of globally fluid Investment, globally orientated Industry, globally enabling Information technology and globally orientated Individual consumers.[52] These global economic forces are defining the landscape by which all institutions operate.[53] In fact a new "global logic" is in place that rewards those decision-makers who make decisions by thinking globally and opening up to what Ohmae refers to as "global solutions", meaning resources and markets.[54] This requires ignoring the dictates or interventionist efforts of the nation-state because

> if allowed, global solutions will flow to where they are needed without the intervention of nation-state. On current evidence, moreover, they flow better precisely because such intervention is absent.[55]

As such, "global logic" requires moving away from thinking of the nation-state as the sole means of solving public issues, or facilitating what really matters to Ohmae maximising the possibilities of the private (quality of life) interests of consumers and the economic interests of capitalists.[56]

---

[49] Ohmae, *The Borderless World*, p. xi.
[50] Meric Gertler, "Globality and Locality: The Future of "Geography" and the Nation-State" in Peter Rimmer (ed.), *Pacific Rim Development* (St Leonards, Allen Unwin, 1997), p. 21.
[51] Ohmae, *The End of the Nation State*, pp. 80-1.
[52] Ohmae, *The End of the Nation State*, pp. 1-5.
[53] Ohmae, "Putting Global Logic First", p. 119.
[54] Ohmae, *The End of the Nation State*, p. 4.
[55] Ohmae, *The End of the Nation State*, p. 4.
[56] Ohmae, *The End of the Nation State*, p. 42.

The last element of a changing world economy follows from the second: the end of the nation-state. At one level, Ohmae sees rising individualism and increasing consumer knowledge as weakening the claims of economic nationalism and creating "global" consumers that are more alike in many respects; a process that Ohmae refers to as the "Californization of taste and preference".[57] Ohmae argues that this new discretion and awareness of individual consumers is diminishing people's perceptions and expectations of their nation-state.[58] At another level, Ohmae believes that the nation-state is fundamentally at odds with a global economy since although

> nation-states were created to meet the needs of a much earlier historical period, they do not have the will, the incentive, the credibility, or the political base to play an effective role in the borderless economy of today... The bottom line is that they have become unnatural – even dysfunctional – as actors in a global economy because they are incapable of putting global logic first in their decisions.[59]

Ohmae's claim is that the only viable route to prosperity is to be open to the global economy. He believes that states are inward parochial institutions that are unable to fully open up to the global economy.[60] Now, countless market based decisions are occurring globally and rather than attempting to be a "middleman" in connecting and funnelling these markets to individuals,[61] the state should simply stand aside.

Nation-states in a Borderless World

The crisis within the nation-state according to Ohmae, relates to a form of political association that is inherently interventionist, slow, centralised and witnessing a decline in legitimacy.[62] This is evident in a reluctance of nation-states to draw upon the global economy without regulatory arbitrage, or accept that decisions should be made with "global logic" in mind. Instead decisions are made to keep the global economy under some form of control in order to protect the vested interests of powerful interest groups, to uphold a government's advantage in an election or to build up a region of a nation-state that is not economically fending for

---

[57] Ohmae, *The End of the Nation State*, pp. 27-28.
[58] Ohmae, *The End of the Nation State*, p. 39.
[59] Ohmae, "Putting Global Logic First", p. 120.
[60] Ohmae, *The End of the Nation State*, pp. 59-60 and Kenichi Ohmae, "Globalization. Regions and the New Economy Working" Paper No 1, Center for Globalization and Policy Research, School of Public Policy and Social Research, UCLA, 2001, p. 4.
[61] Ohmae, *The End of the Nation State*, p. 4.
[62] Ohmae, "Putting Global Logic First", pp. 119-120.

itself. The problem for Ohmae is that while these forms of activity were once possible, they are now inefficient and unsustainable. Hence the nation-state has become a powerful "engine of wealth destruction" that utilises resources in an unproductive manner, a practice that is in Ohmae's mind both senseless and unsustainable because the global mobility of resources ensures that inefficiency provides an incentive for economic activity to move elsewhere.[63]

The added danger according to Ohmae is that the nation-state is very slow due to the routinised and centralised nature of its organisation. This makes it hard to avoid the wealth destroying potential of the state. Even federal nation-states with extensive state autonomy are hindered by the same set of limitations of more centralised nation-states in that they must pay attention to powerful interests groups and public expectations of the state.[64] Ohmae refers to this as the "civil minimum" – the various services undertaken by the government all across society at a more or less universal level thereby requiring cross-subsidisation.[65] According to Ohmae, despite being well meaning, the nation-state's provision of the civil minimum cannot succeed in raising living standards. He claims this is not just because of the difficulties of providing the same public services in different situations within the same nation-state.[66] Within the context of economic globalisation, Ohmae asserts that the civil minimum comes under new stresses that make it unsustainable because the more that the government sponsored civil minimum determines economic policy, the "less the whole arrangement squares with the logic of either economics or equity".[67]

The problem in providing the civil minimum is that the various forms of cross subsidisation are unsustainable in an economic sense. Ohmae argues that not only does the number of claimants rise, and the expectations of those who have access to various services increase, but that it becomes more and more difficult to exclude groups from accessing civil minimum services, especially during election time in democracies.[68] In short, the inefficient use of resources for both subsidies and broad-based social services "ratchets up".[69] According to Ohmae this is unsustainable in a global economy because of the strain it places on the economy of those states who support these programs and, importantly for Ohmae, consumer

---

[63] Ohmae, "Putting Global Logic First", p. 120.
[64] This echoes public choice economics. See James Buchanan, *Constitutional Economics* (Oxford, Basil Blackwell, 1991)
[65] Ohmae, *The End of the Nation State*, p. 47.
[66] Ohmae, *The End of the Nation State*, p. 52.
[67] Ohmae, *The End of the Nation State*, p. 54.
[68] Ohmae, *The End of the Nation State*, p. 47.
[69] Ohmae, *The End of the Nation State*, p. 55. This observation is a variation of the public choice conception of "rent seeking". See James Buchanan, *Constitutional Economics*

aware people are *cognisant* of this inefficiency.[70] Ohmae claims that the civil minimum seems like "exploitation" because people are now aware that some people are paying, through taxation for the civil services that others use at the same time that groups are fighting for increasing shares of an ever expanding civil minimum.[71] Ohmae is also concerned that in addition to the burgeoning cost, the allure of the civil minimum focuses governments' energies away from the global economy. Ultimately, Ohmae is arguing that the nation-state is unsustainable because it is inward looking when it ought to be upholding the welfare of its people by looking to the global economy for the solutions to economic problems rather focusing on how wealth should be distributed.[72]

Does the nation-state have the resolve to ignore the civil minimum and open up to the global economy? Ohmae's answer is no. According to Ohmae, the nation-state, especially liberal democracies in the western world, has neither the will nor the mechanisms to take this crucial step and embrace the global economy.[73] Ohmae believes that western states are especially tied to the civil minimum and claims that liberalism is no longer capable of holding society together within the context of a global economy. He claims

> historically, the classical liberal idea represents a genuine, creative effort to deal fairly and honourably with an unprecedented level of social pluralism – that is, to strike an altogether new, workable balance between the uniformity of behaviour traditionally demanded of citizens by the state and the limited unity of purpose those states genuinely required to survive and prosper in the contemporary world. For this ideal to work in practice, however, there must be mutual respect... mutual trust... and transparent information.[74]

Yet Ohmae contends that these three practical principles that are needed to support the liberal ideal are not operating in western nation-states of the late twentieth century[75]. He claims that there are declining levels of civic responsibility due to competition among interest groups over civil minimum resources and significantly opaque decision making processes involving these interest groups.[76] Consequently, there is the proliferation of narrow individualism and "no motivation to strive – or accept – a reasonable balance" between competing demands. As a result, pluralism decays thereby making it difficult to achieve long-term decisions for the

[70] Ohmae, *The End of the Nation State*, p. 55.
[71] Ohmae, *The End of the Nation State*, p. 50 and 56.
[72] Kenichi Ohmae, "The Rise of the Region State", *Foreign Affairs*, V72, Issue 2 1993, p. 83.
[73] Ohmae, *The End of the Nation State*, p. 71.
[74] Ohmae, *The End of the Nation State*, p. 76.
[75] Ohmae, *The End of the Nation State*, p. 76.
[76] Ohmae, *The End of the Nation State*, pp. 76-7.

common good.[77] Not only does this undermine the public legitimacy of the state, according to Ohmae,[78] but this "collapse of liberalism" and the related rise in corporatist interest group politics is no small part of why liberal democratic states find it especially difficult to make long-term decisions such as to embrace the global economy.[79]

Ohmae's analysis of the transformation of the world economy points to a significant change in the relevance of the nation-state. He claims, "precisely at a time when the economic wellbeing of people around the world increasingly depends on their ability to participate in the global economy, the nation-states in which they live find it both structurally and philosophically difficult to offer systemic continuous support for such participation".[80] In an era where the nation-state no longer holds public legitimacy, no longer reflects consequential flows of economic activity for its public and cannot operate in a sustainable way, it appears to Ohmae that we must turn to alternatives other than the nation-state. The argument here is not just that this change is desirable or possible, but that it *is occurring* in the shape of emerging region states.[81]

The Region State

The crux of Ohmae's alternative conception of governance is the region state. These natural economic zones, which Ohmae uses to describe the actual contours of the global economy, are also the alternative to the nation-state. Thus he uses the term region state in a double sense; to describe what *is occurring* and what *should be* the political organisation of the world. Ohmae's prescription to promote economic welfare within economic globalisation is to encourage the development of region states. Indeed, he is arguing for regional autonomy to a substantial degree – that regions within and between states should be left to their own devices to compete for capital and to raise infrastructure needed for capital to operate.[82] While region states are forms of local governance they are not local in focus.[83] Ohmae claims region states are outward looking in that they try to connect into global capital flows and are not tied to the preferences of civil minimum claims or national protection.[84] The focus of region states is also

[77] Ohmae, *The End of the Nation State*, pp. 76-7.
[78] Ohmae, *The End of the Nation State*, pp. 77-8 and "The Rise of the Region State", p. 86.
[79] Ohmae, *The End of the Nation State*, p. 77.
[80] Ohmae, *The End of the Nation State*, pp. 77-8.
[81] Ohmae, "Putting Global Logic First", p. 125.
[82] Ohmae, *The End of the Nation State*, p. 119 and 127.
[83] Ohmae, "Putting Global Logic First", p. 122.
[84] Ohmae, *The End of the Nation State*, pp. 88-9 and "The Rise of the Region State", pp. 86-7.

economic and not political: "regional autonomy is a great - essential - lever for taking advantage of the global economy to the benefit of all citizens and residents".[85] The main focus is on maximising the economic advantage of linking to the global economy by "being reliable ports of entry".[86] Ohmae's region state develops around increasing the latitude of economic decision-making responsibility within a federal nation-state. Yet it is global capitalism that really dictates the public decisions that the region state makes. Hence, as the region state gains increased autonomy from the nation-state it falls more under the sway of the global economy. The prescriptive view of the region state is local in form yet tied to global capitalism in practice. Ultimately, Ohmae sees the centralised nation-state as the problem and the global economy as the solution.

Region states are systems of rule that Ohmae believes will be able to make the most of a global economy in a more substantial and sustainable way than the nation-state. But they are not invented from thin air. They are already forming from the practices of a global economy;

> The boundaries of the region state are not imposed by political fiat. They are drawn by the deft but invisible hand of the global market for goods and services. They follow, rather than precede, real flows of human activity, creating nothing new but ratifying existing patterns manifest in countless individual decisions.[87]

The scale of these region states varies according to economic linkages and certain infrastructure needs (such as at least one international airport and a freight handling harbour) with a population in the five to twenty million range.[88] Also of importance in placing the borders of a region state is the extent of communications and marketing considerations. This last factor is the most revealing, with Ohmae arguing that the size of the region state ought to be an attractive market by being small enough for consumers to share tastes and interests as but large enough for certain economies of scale.[89] This underlines the way in which the region state is shaped not by local forces but by the principles of capitalism.

The role and aim of the region state is clear. Nation-states should permit their regions to autonomously act as powerful "engines of development" by being global in focus, emphasising efficient economic linkages, welcoming foreign investment and by sidelining

[85] Ohmae, *The End of the Nation State*, p. 119.
[86] Ohmae, *The End of the Nation State*, p. 89.
[87] Ohmae, "The Rise of the Region State", p. 78.
[88] Ohmae, "The Rise of the Region State", p. 80.
[89] Ohmae, *The End of the Nation State*, p. 89.

claims to any civil minimum.[90] Ohmae makes the point that nation-states encourage regional economic development but stop when it "threatens current jobs, industries and interests".[91] The effect of this is costly. Ohmae notes that "in Japan, a nation with plenty of farmers, food is far more expensive than in Hong Kong or Singapore, where there are no farmers" because the latter two nations are open to the benefits of the global economy.[92] In short, by consistently forwarding the "global logic" and encouraging the development of region states, people will benefit from such openness. This necessitates region states that are directed at the attraction of the capital and the provision of communications and transport infrastructure needed to support networks of global capitalism.

Ohmae deploys three main arguments to support the idea of the region state. The first relates to the "effective engines of prosperity" that the region state would be.[93] Ohmae clearly believes that quality of life issues should be central to policy-making of the region-state and the nation-state. This is enabled by the efficient use of all resources, not the inefficient production of goods that are then subsidised by the government to placate powerful interests or to maintain jobs. By acting as a port of entry, the region state is not only opened up to the global economy in a way the nation-state cannot be, but is also embracing a market discipline that will ensure this efficiency. The region state allows and establishes a "proactive policy" that exists in between industrial policies and hands off free markets, that encourages local businesses to network together and outwards into the global economy.[94] The region state opens up the conditions for interaction with the global economy by assisting companies to respond to changing conditions rather than sheltering them. The goal is

> not to solve all problems locally, but rather to make it possible to solve them by harnessing global resources. The effectiveness of region states depends on their ability to tap global solutions... The implicit goal of their policies and their actions is not to defer some outdated insistence on self sufficiency, to buy off some well-wired constituency, to satisfy some emotional craving for the trappings of sovereignty, to tie up some bloc of votes, to feed some vocal demand for protection, or to keep some current government in power. It is to improve the quality of their people's lives by attracting and harnessing the talents and resources of the global economy, not by warding that economy off so that special interests flourish.[95]

---

[90] Ohmae, *The End of the Nation State*, pp. 88-9.
[91] Ohmae, "The Rise of the Region State", p. 87.
[92] Ohmae, "The Rise of the Region State", p. 87.
[93] Ohmae, *The End of the Nation State*, pp. 148-9.
[94] Ohmae, *The End of the Nation State*, p. 96.
[95] Ohmae, *The End of the Nation State*, p. 96.

The outward looking nature of the region state should not overlook the active nature of the policies employed by the authorities located in a region state to clear the way for globally attractive business conditions. Implicit in Ohmae's writing is the idea that success will create the public support for this form of polity.

The second argument relates to the way prosperity would spread from one region state to another. Ohmae argues that when region states are left to their own devices they will be efficient and prosperous and that this prosperity necessarily "spills over" into neighbouring region states.[96] Also, there is the motivational danger of being recalcitrant and inwards looking - thereby missing out on the opportunities of global capital. The rise of some flourishing region states encourages linkage and discourages autarky. Because region states are freed from centralised support, a competitive - Darwinian 'survival of the fittest' scenario threatens those regions that do not engage with the global economy and other region states with economic obscurity. This motivation and the rationale that there is no gain for a region state to hoard its prosperity in a global economy provide a case for the expansion of successful region states.

The third line of argument that Ohmae advances is that the autonomy of the region state is presented as a strength. There is the strong implication in *The End of the Nation State* that one of the great virtues of the region state is that it unleashes the 'true' self-interest of a region to stand for itself and provide for itself. The fact that it is not tied to a centralised nation-state with the civil minimum trickling in from the centre *both allows and forces* the region state to open up to the only source of prosperity that a global economy provides: the flows of resources that only go to those places that are open and flexible.[97] Because the region state is freed from the encumbrance of special interests and the civil minimum, it has the aptitude to engage with the global economy. Ohmae believes, fundamentally, that those decision-makers and the public of region states are "flexible communities of interest" that are in the best position to know what is needed to forge a prosperous life.[98] For Ohmae the contrast with the nation-state is stark, with the centralisation, support of special interests and provision of the civil minimum providing a strong reason for the nation-state to be replaced by the region state as the main complex of governance.

---

[96] Ohmae, *The End of the Nation State*, p. 100.
[97] Ohmae, *The End of the Nation State*, p. 96.
[98] Ohmae, *The End of the Nation State*, p. 96.

The State in a World of Region States

What happens to the nation-state in a world where important areas of policy discretion rest with the region state? This is where Ohmae's argument becomes increasingly circular. Ohmae believes the devolution of power is both the "end" of the centralised nation-state and the only way the idea of nation-state can survive a globalising era.[99] This is because he sees a continuing but residual role for the centralised nation-state. But it is a role that is a far cry from the traditional role of the nation-state that provides a more or less comprehensive frame of authority and justice for its citizens. Not only would the nation-state open up society to transnational capital but it should also willingly relinquish control to region-based decision-makers and cease to provide civil minimum goods and services.[100] Some of the political machinery of the nation-state would remain but any notion of political community or societal concern that could influence the policymaking process would not. Region states would go it alone in the large area of policy making that could influence that region's ability to attract capital. It seems in all cases where the decree of the centralised nation-state and the discipline of the global economy conflict, the clash would be resolved in the global economy's favour. What is not fully explained in this shift to the region state is how the region state is less susceptible to special interests and how the nation-state could give up virtually all control of its regions.

The residual role of the nation-state means in effect a break up of the centralised nature of the state. This break up occurs on two axes. Firstly, by devolution of power into a federal system of government that would allow the region states to undertake their roles in embracing economic activity as their first and overriding goal. This form of federation seems to be loose because it is dependent on a central government that does not interfere in the working of any of the region states it encompasses. According to Ohmae region states must be "handled gently by federation" and "are not – and need not be – enemies of central government".[101] In short, the region state has more authority to develop economic policy than the central nation-state. Secondly, the nation-state must go "cold turkey" in regards to any provision of the civil minimum or any other centralised protection or redistribution.[102] This fundamentally curtails the policy latitude as well as any possibly effectual role of the centralised nation-state. Any

[99] Ohmae, *The End of the Nation State*, p. 129.
[100] Ohmae, *The End of the Nation State*, pp. 130-36.
[101] Ohmae, *The End of the Nation State*, p. 100.
[102] Ohmae, *The End of the Nation State*, p. 126.

provision of a centrally administered civil minimum would undermine the whole notion of a federated system of region states. It also places restrictions on the region state by forcing them to be looking to global capitalism for opportunities while being limited in the infrastructure they can develop by their own ability to actually afford such infrastructure.[103]

Through the shift towards the primacy of region-states, there are some functions that remain with the nation-state and there are new nation-state functions that develop regional autonomy. There are some functions that Ohmae concedes to the remainder of the nation-state. The "traditional issues" of foreign policy and defence, macroeconomic and monetary policy as well as education and training all remain under the direction of the nation-state.[104] Yet of these, the provision of macroeconomic conditions is somewhat illusionary in an economic system where the global mobility of finance and equity capital makes such policy latitude marginal at best. The government of the nation-state will not fund infrastructure but it should lay down regulations to facilitate common standards and compatibility.[105] To lay any more responsibility than this in the hands of the nation-state would invite the possibility of interest groups lobbying for the central government to set up infrastructure rather than a region to organise and provide it itself. Indeed according to Ohmae, the new role of the state is to be a "catalyst" that develops the economic latitude needed to unleash the competitiveness of regions-states.[106] The nature of being a catalyst will differ for states with economies at different levels of development. For developing countries, the emphasis is on getting "the right policies, institutions and infrastructure in place at the right time".[107] This means states ensuring that the infrastructure needed to open up to the global economy is present while opening up opportunities for regions to be economically autonomous and thereby loosen the "heavy hand of government regulation".[108] For states of the western world, the central challenge is how to avoid stifling region states such as Silicon Valley or Baden-Wuttemberg and at the same time facilitate new region states without holding on to discretionary economic control and the desire to be the "prime movers" too long.[109]

The region state represents another tangent of extended neo-liberalism: governance that is apparently local in authority and organisation but totally tied into global capitalism. It is a type

---

[103] Ohmae, *The End of the Nation State*, pp. 126-7.
[104] Ohmae, "The Rise of the Region State", p. 82.
[105] Ohmae, *The End of the Nation State*, p. 129.
[106] Ohmae, *The End of the Nation State*, p. 136.
[107] Ohmae, "Putting Global Logic First", p. 123.
[108] Ohmae, "Putting Global Logic First", pp. 123-4.
[109] Ohmae, *The End of the Nation State*, p. 136.

of governance that looks past the 'special' interests of its citizens to provide them with program that delivers efficient networks within the global economy. Ohmae claims that nation-states are intrinsically domestic in focus and have "begun to dissolve" in economic terms because of this underlying rationale.[115] Nation-states may try to engage with the global economy but are always limited by the ways it is beholden to its population's appeals to the provision of common standards of public services and the protection of certain interests. The region state is a form of polity that embraces the 'global logic' by looking towards global capitalism and thereby providing no such services or guarantees to its citizens. Ultimately, locating authority with the region state places the nation-state at a less than a residual footing - with the nation-state being little more than a loose term thrown over the political structure of given national grouping region states. It is unclear how this system would work in practice, without totally collapsing into a world of region states. One is left with the distinct impression that this is what Ohmae would not mind seeing at all, with the nation-state having a brief transitionary phase before drifting into history.

The Elements of Extended Neo-liberalism

Both the proposers of the MAI and Ohmae take different journeys to the same destination: a dramatically reshaped and weakened nation-state. Both arguments attempt to limit the ability of the nation-state to interfere with the discipline of market forces. As such extended neo-liberalism goes beyond neo-liberal governance in two respects. First, extended neo-liberalism eschews the incremental deregulation and liberalisation of neo-liberal governance in favour of a dramatic and obvious delimitation of the nation-state and democracy that legally entrenches a 'credible' context for investors. Second, extended neo-liberalism does not engage nation-state in a substantive way whereas neo-liberal governance relies heavily upon the nation-state for the legitimacy of 'market friendly' polices and practices. The social forces supportive of neo-liberal governance have largely co-opted nation-states around the world and locked them into maintaining and expanding economic globalisation both in terms of ideology and practical competition for economic activity. By comparing extended neo-liberalism with neo-liberal governance we can see how neo-liberal governance enacts deregulation, liberalisation and privatisation in a gradual and pragmatic manner by *transforming existing forms of political association rather than creating them anew as extended neo-liberalism contends.* Nevertheless, the arguments presented in this chapter culminate in an approach to governance that claims that

[115] Ohmae, *The End of the Nation State*, p. 79.

the best way to govern in a globalising environment is to unleash market forces by limiting the actions of national governments. This convergence is made clear in four interdependent points.

First, extended neo-liberalism contends that *in order for the potential of neo-liberal reforms of economic efficiency and investor security to be fulfilled they must be locked in and protected from political or democratic manipulation.* The separation of 'economics' from 'politics' is essential to the neo-liberal project but in order to secure the material gains of globally deregulated markets this means further restricting governments by legally reshaping and sidelining the nation-state.

Second, extended neo-liberalism attempts to *dramatically increase the significance of economic relations* across the world. Whether achieved by a global regime or by radical federalism, the only extensive and systematic discipline that should be exercised over governments is the desires of people as capitalists and consumers, not as citizens. As such the only justification for this restriction is the material prosperity that results from encouraging market activity. Social stability and legitimacy is provided by material prosperity and economic free choice.

Third, *democracy is restricted and limited* by extended neo-liberalism. Economic policy making is quarantined from public opinion and protected against future popular movements or reactions against deregulated capitalism. Thus democracy cannot trump global market forces because authority is either lifted from the state by a global legal regime or authority has be devolved to competitive locales too small and locked into competition to effect large scale change.

Fourth, within the approach of extended neo-liberalism, *the overriding power rests with global capitalism* and the economic actors that act within the networks of capitalism. TNC's and mobile investors are the actors who take an increasing role in the direction of governance to such an extent that market discipline and the influence of TNC decisions become the dominant influence over political affairs. The goal is nothing less than establishing a predictable political-economic context for the sovereign investor.[111]

Extended neo-liberalism is testament to a deep suspicion of democracy, where democracy is an instrumental form of protection of individual liberty from the state that can enlarge into a

[111] Gill, "New Constitutionalism, Democratisation and Global Political Economy", p. 23.

more invasive and centralising threat to individual liberty[12]. Extended neo-liberalism also represents a supreme confidence in unfettered capitalism in not only producing substantial gains in levels of wealth across the world but also in providing a self regulating society capable of basic levels of financial and social stability with minimal state interference.

The question is whether global capitalism can deliver? Can unfettered global capitalism promote prosperity that extends across the world? I contend that there are substantial doubts that extended neo-liberalism can spread prosperity widely across the world let alone ameliorate the social effects of economic globalisation. After all, the problems indicative of global capitalism: inequality, polarisation and insecurity all stem from the unregulated and uncontrolled manner of this configuration of capitalism. The rationale of extended neo-liberalism is a radical extension of the prevailing pattern of governance that is holding sway across the world. Hence we have the unusual situation of both the proposers of the MAI and Ohmae simultaneously understating the actual role that the nation-state plays in enabling economic globalisation and suggesting that the nation-state is undesirable to further developments of economic globalisation.

On one hand Ohmae is arguing that the nation-state is a hindrance to citizens enjoying the full benefits of a global economy. On the other, we have many governments *actively* using neo-liberal policies to shape the nation-state and enable global capitalism. In claiming that the region state is the desirable form of governance and the nation-state the outdated unsustainable form of governance, Ohmae ignores the active role the nation-state plays in supporting the form of global economic activity that he believes is the solution. At the heart of Ohmae's prescription is a fundamental misunderstanding of the type, nature and scale of government activity in supporting global capitalism. For the proposers of the MAI, the dilemma of the role of the nation-state is reversed. In legally restricting the ability to conduct economic policy-making, decision-making power and hence legitimacy is drawn away from the state. While the MAI approach accepts the interventionism of the state in keeping markets open, the global legal restraint of the MAI visibly weakens people's confidence in the sovereignty of the nation-state. The virtue neo-liberal governance's combination of deregulation and the nation-state, as compared with extended neo-liberalism, is that while there is relatively quiet *de facto* liberalisation on a significant scale, there is not the bold *de jure* liberalisation that visibly emasculates the nation-state and provokes public disquiet.

---

[12] Gill, "New Constitutionalism, Democratisation and Global Political Economy", p. 23.

As a result of the unconcealed approach of extended neo-liberalism, there are problems with the viability of this alternative articulation of good government. The rest of this chapter addresses three primary problems. First, there are problems with the idea that the region state or legally enmeshed state can actually create prosperity that moderates inequality and fashions a significant level of social cohesion. Second, there are also problems with the notion that the region state or legally enmeshed state can support global capitalism with the same effectiveness as the neo-liberal inspired nation-state? This leads to the question of whether the idea of extended neo-liberalism is the way forward for liberal and especially neo-liberal thought. Even if extended neo-liberalism can moderate the adverse consequences of economic globalisation across the world or is able to sustain global capitalism, this does not mean that liberal outcomes can be guaranteed by extended neo-liberalism. As we will see, local representation can lead in so many different directions; many of them are not even vaguely liberal.

The Minimal State and Inequality

The proposers of the MAI and Ohmae both believe that an unfettered global economy will produce prosperity that addresses poverty and inequality in an indirect way. If social life is determined by the market mechanism, then the production of cheap public services, cheap goods and services will ensure that inequality will become a non-issue with the market creating "no absolute losers nor winners, as market mechanisms adjust participating nation's competitiveness rather fairly through currency exchange rates and employment".[113] Ohmae makes the classical liberal/neo-liberal assumption that wealth will circulate to provide everybody engaging in economic activity with an ample living standard.[114] Yet on a global scale, this is not occurring through the processes of deregulated capitalism that are in existence. The global economy is producing clusters of wealth (or what Ohmae calls region states in the descriptive sense) that do not spread out for reasons associated with the strategic compatibilities of local linkages and resources. Ohmae believes that by liberating local decision making, more places around the world will embrace the global economy and usher in

[113] Kenichi Ohmae, Herbert Henzler and Fred Gluck, "Declaration of Interdependence Towards the World-2005" in Ohmae, *The Borderless World*, p. 216.
[114] See Andrew Hurrell and Ngaire Woods, "Globalisation and Inequality", *Millennium*, Vol. 24, No. 3, 1995, pp 448-9 and Jurgen Habermas, *The Postnational Constellation* (Cambridge, Polity Press, 2001), p. 93.

prosperity that will not only bring wealth to that locale, but will radiate to other locales. But can every locale be a successful region state?

Even if we, like Ohmae, close our eyes to the active role that national governments have played in politically sustaining the formations of local clusters in the name of competitiveness, it is clear that not everywhere can be a prosperous region state.[115] Even if all locales were to be weaned from the benefits and public services provided by the state, there would still be places that would not provide a stable environment for global capital for a variety of reasons. There are places that are geographically isolated, that have been devastated by long-term hostilities or simply do not have the social cohesion or social capital required to create the conditions for capitalism.[116] Ultimately, there are limited places that can be host to lucrative leading edge technological production, with many places that are *"black holes of informational capitalism"* that Manuel Castells explains are a "social landscape" defined by systematic social exclusion.[117] Obviously places in the developing world, especially Africa, are a long way from being able to provide basic infrastructure and social cohesion, let alone the opportunity of being a prosperous linkage in the global economy.[118] This is manifest with vast differences between nation-states in the growth in trade and investment flows across the world,[119] as well as access to telecommunications infrastructure and technology.[120] Castells makes the point that these black holes *can be changed*, that "purposive human action can change the rules of social structure".[121] My contention is that the ideas of Ohmae and the MAI *do not embody* this change because the ideas are aimed at the economic goal of increasing deregulation to assist businesses, not the removal of social divisions. Extended neo-liberalism seeks to direct the rules in the same direction as neo-liberal governance but to push them even further by extending deregulation and restricting redistribution.

---

[115] Manuel Castells, "Informational Capitalism and Social Exclusion" at <http://www.unrisd. org/engindex/publ news/19eng/castnews.htm> (accessed on the 1st of November 1999) See also Manuel Castells and Peter Hall, *Technopoles of the World* (London, Routledge, 1994)

[116] Manuel Castells, *End of the Millennium, Vol III of The Information Age: Economy, Society and Culture*, (Oxford, Blackwell, 1997), pp. 161-4. See also Robert Putnam, "The Prosperous Community; Social Capital and Public Life", *The American Prospect*, n13, (Spring 1993).

[117] Castells, *End of the Millennium*, p. 162. Emphasis in original. See also Scott, *Regions and the World Economy*, p. 136.

[118] World Bank, *World Development Report Summary 1997*, (Washington, D.C, The World Bank, 1997), p. 14. See also UNRISD, *States of Disarray; The Social Effects of Globalisation* (Banson, London, 1995)

[119] UNDP, *Human Development Report 1999* (New York, Oxford University Press, 1999), p. 27.

[120] Castells, *End of the Millennium*, pp. 92-5. Castells makes the point "technology per se does not solve social problems. But the availability and use of information and communication technologies are a pre-requisite for economic and social development in our world. They are the functional equivalent of electricity in the industrial era". Castells, Manuel, "Informational Capitalism and Social Exclusion", p 4.

[121] Castells, *End of the Millennium*, p. 162.

Moreover, the *type* of economic growth is more important than the *level* of economic growth in determining levels of development and inequality.[122] In particular economic growth does not automatically improve poverty unless the growth is both "pro poor" and sustained within poor communities.[123] Unfortunately, Ohmae does seem to be aware of the ways capitalist working conditions can produce radically harmful forms of economic growth, including paid child labour, and accelerated forms of social exclusion.[124] In addition, global capitalism does not ensure long-term investment but does usher in capital volatility and mobility and thus competitiveness not just for capital but for the conditions for capital that increase the fragility of some regions.[125] Ohmae's assumption that embracing the global economy will provide prosperity may not be shared by the people of Liverpool or Sierra Leone, leading to the possibility of inward looking regions. This may mean that the virtuous processes of the market that Ohmae and the OECD technocrats lay faith in may in fact degenerate into regional ghettos that have markedly lower living standards and stability than nearby regions.[126]

This extension of the neo-liberal panacea also overlooks the differences and inequality within a locale or region-state. In a global economy, the real divisions in what people earn is not only due to their *location* in the global economy but also what they *add* to the global economy.[127] People who work in knowledge based professions, that is, those who are "symbolic analysts" to use Robert Reich's neologism, are connected in a stronger way than the service and manufacturing sectors. People who are connected to the global economy in a direct way are fundamentally on a different boat than those who are not, with significant inequality resulting.[128] The global economy does not just divide people on the basis of whether this or that location is connected to the webs of prosperity but what individuals do *within* the webs of the increasingly global division of labour. This problem is likely to be exacerbated if nation-states follow Ohmae's advice and relinquishes control of welfare and redistributive programs. Given that the declining levels of government support are partially responsible for the severity of current levels of inequality, this is even more disquieting. As Castells soberly observes,

---

[122] UNDP, *Human Development Report 1996* (New York:, Oxford University Press, 1996)
[123] UNDP, *Human Development Report 1997*, p. 71.
[124] Castells, *End of the Millennium*, pp. 72-3.
[125] Susan Strange, *Retreat of the State* (Cambridge, Cambridge University Press, 1996), pp. 197-8. See also Castells, "Informational Capitalism and Social Exclusion", p. 4.
[126] Strange, *Retreat of the State*, p. 191.
[127] Robert Reich, *The Work of Nations* (London, Simon and Schuster, 1991), p. 172.
[128] Saskia Sassen, *Cities in a World Economy* (London, Pine forge Press, 1994), chp 6.

when society is "left to market forces, there is an undeniable tendency toward a polarized social structure, between countries and within countries".[129]

The State versus the Region State

Contrary to Ohmae's argument, the declining level of government intervention in regards to social issues has not entailed the end of the state. As Allen Scott notes "those, like Ohmae, who foresee its virtual dissolution fail, in particular, to take into account the social and above all perhaps the cultural pressures – as opposed to the economic relations – that continue to make the state and the nation potent political realities in the contemporary world".[130] On one hand people are not merely shaped by economics, political and social interests also acculturate them, but on the other, these cultural and political forces actually constitute and legitimate any form of capitalism.[131] As examined in Chapter 2, a particular type of government action is required to underpin economic globalisation. The active nature of the state, in the form of the competition state, which buttresses the shift from the balance between deregulation and social regulation to increasingly global deregulation by states is something that Ohmae does not seem to fully reconcile with the notion of the region state. While Ohmae points towards a radical path of complete dismantling of social policy and the devolution of authority to the smallest form of governance as possible, he doesn't recognise the role that the state in its deregulated and increasingly micro interventionist form actually plays in supporting and legitimating economic globalisation. He hopes that governments will accept that it is their role to provide "a steady and small hand, not to interfere".[132] However, to enact deregulation, a strong disciplinary hand is required, and this necessitates the controlled use of power via the state.

A state shaped by the practices of the competition state may not be compatible with the localised authority of the region state or indeed within a nation-state embedded within a MAI like arrangement. The region state may undermine this role by drawing authority to a localised level. This authority runs the distinct risk of being unable to maintain the discipline associated with a nation-state that is intimately connected to the deregulated political economic linkages of a global economy yet still maintains a semblance of popular legitimacy. Contrary to

---

[129] Castells, "Informational Capitalism and Social Exclusion", p. 5.
[130] Scott, , *Regions and the World Economy*, p. 46.
[131] See Scott, *Regions and the World Economy*, p. 152.
[132] Ohmae, *The Borderless World*, p. 212.

Ohmae's intent, the authorities of the region state may be captured by 'special interests' of their constituents. In addition, while the competition state is welded into the global economy it still possesses a level of legitimacy and a (admittedly diminished) public belief in democracies that citizens can work through the state to attain their public goals. It is not clear that the region state can work simultaneously at a global and domestic level *as effectively* as the national competition state can in most cases, because the competition state imbues a complex network of technocratic control with a historical sense of legitimacy and community. The region state will probably be too small and caught up with external evaluations of the global economy to be able to govern in a way that both manages to uphold the "symbolic function"[133] necessary to hold public legitimacy at the same time as enacting the creeping program of neo-liberal governance. In a similar way, states enmeshed within a MAI like agreement would find it hard to maintain this public sense of legitimacy. The lesson for neo-liberal reform is evident in the way the MAI's attempt to 'lock in' the neo-liberal project from public interference provoked a vociferous public reaction in so many OECD nations.[134]

Problems associated with the coexistence of the region state and the nation-state raises doubts that the region state could operate so as to manage the political conditions needed to support a global economy with a winnowed nation-state. A world that has free markets that enable the economy as act as a single place in real time needs a political and legal infrastructure that has the ability to support such an economic system both within and between nation-states. However, the region state is too fixated on trying to make the most for individuals in such a system that it lacks the public sentiment as well as the institutional organisation and breadth to sustainably underpin the complexity of a global economy. In particular, the region state, by being built so single-mindedly around principles of commerce, would be unlikely to provide the funds needed to solve problems of global governance. While Ohmae claims he would like to pay a third of his taxes to a global body for global problems like the environment and development, a third to his local community and the last third to his nation-state,[135] this tax requires structures that would envelop the region state. Not only would such global funds interfere with the operation of the market but they would also cut across the region state with specific political programs that would clash with the economic goals of the region state. The resolution of these clashes would be in favour of the region state by Ohmae's account,

---

[133] Phillip Cerny, "What Next For the State?" in Eleonore Kofman & Gillian Youngs (eds.), *Globalisation: Theory and Practice* (London, Pinter, 1996), p. 131.
[134] Kobrin, "The MAI and the Clash of Globalisations", p. 99.
[135] Ohmae, *The Borderless World*, pp. 212-6.

meaning that global governance would be an incomplete affair. Thus ultimately, even if extended neo-liberalism can dismiss the ethical problems associated with inequality and insecurity as a practical problem, this approach does not offer practical and immediate forms of strengthening the effort to institutionalise neo-liberalism. It asserts that the only factor needed for social stability and legitimacy is economic prosperity. The provision of political mechanisms that address global problems are woefully understated. This leads us to conclude that the region state is far from being what is needed for the long-term support of a global economy or a world where complex threads of interdependence forge the need for concerted global governance.

In sum, extended neo-liberalism, in sacrificing public legitimacy for the gains of a completely deregulated world economy, *endangers the mechanisms and political association* essential for the state intervention needed to open markets and keep them open. Both the MAI proposers and Ohmae are seeking to replace or minimise the nation-state in order to both entrench and deepen the neo-liberal project. This is dangerous, not only because it endangers the neo-liberal project by inviting public resistance, but because it also endangers effective global governance and the stability needed at a global level for neo-liberalism to operate.

Extended Neo-liberalism and Local Representation

Even if extended neo-liberalism could resolve the tensions originating from dealing with inequality and the long-term governing of a global economy without an empowered state, regions are shaped by more than economic concerns.[136] In trying to forward an alternative to neo-liberal governance, the ideas of extended neo-liberalism place great faith in trying to liberate capitalistic frameworks and agents within global capitalism in order to facilitate an increase in the opportunities and material conditions for individuals across the world. But can the practice of a legally enmeshed state or the region state open the possibility for stable and prosperous liberalism within a global economy? Clearly Ohmae sees political communities as being shaped primarily by economics when he discusses shared consumption patterns as being central to the composition of a region state. The fact that the region state is defined by the flows of the global economy ultimately means that the public sentiment that underpins the region state is very weak – the term 'flexible communities of interest' suggests an ultimately instrumental and economistic polity. Would this type of elastic community hold together or

[136] Scott, *Regions and the World Economy*, p. 153. See the contrast with the way Ohmae downplays the political and cultural factors of regionalism. See Ohmae, "Putting Global Logic First", p. 119.

ward off undemocratic forms of community such as chauvinism or fascism?[137] It is highly doubtful. In terms of political rights, the discretionary power of the citizen to elect regional government to do anything other than build infrastructure and attract capital is also limited within the region state. Likewise economic and social rights such as minimum standards of pay, health and safety and enforcing the obligations of corporations, would seemingly be in a similar limited and curtailed shape. Citizenship in a region state would be a weak and purely procedural affair. The proposers of the MAI also thought (wrongly as it turned out) that people were primarily the *homo economicus'* of economics textbooks.

Given the minimal bonds of association and a thin and procedural model of citizenship, can such local representation usher in prosperity without being taken over by other concerns such as local political agendas, ethnic desires and nationalist aspirations? Ohmae is quite candid about the dangers of devolution because "it can also be used as a plausible rationale, under the cover of which religious, racial, ethnic or tribal groups privately aspire to advance only their own, self interested ends".[138] This 'danger' is highlighted by the desire for local autonomy in areas such as Scotland and Quebec where devolution is sought after but for reasons associated with community autonomy.[139] It is clear that while the scale of the polity may be determined by the exigencies of the global economy, the intent of the polity cannot. The possibility of the region state being taken over by other agendas or interests is real and ubiquitous. Many of these possibilities are devoid of the ethical values and the political structures needed to underpin not only the visions of those who wish to embrace extended neo-liberalism but of a liberal society as well. Clearly, devolution can be a good thing but only if it operates within a structure that balances commercial goals with cultural and ethical values. The EU principle of "subsidiarity" is a good example of devolution that occurs with peoples' complex and manifold lives in mind because it embeds "the principle that decisions should be taken as close to the citizens as possible" and does not embed only economic concerns.[140] Federalism can be crucial part of governance because it is capable of ethically managing complexity not just because of a mechanistic logic connected to the global market.

---

[137] Benjamin Barber, "Democracy at Risk" *World Policy Journal*, Volume XV, Summer 1998, pp. 34-5.
[138] Ohmae, *The End of the Nation State*, p. 119.
[139] Manuel Castells, *The Power of Identity, Vol II of The Information Age: Economy, Society and Culture*, (Oxford, Blackwell, 1997), p. 27. This is not to mention forms of partition or secession in places such as Israel-Palestine or East Timor.
[140] European Commision, *How Does the European Union Work?* (Brussels, EC, 1996), p. 14.

This raises the possibility that the globally competitive devolution of authority is really the wrong way for liberalism to go in order to enact a conception of political or civic rights. Even though Ohmae wants some form of global legal guarantee that he would have political rights that would be supported by a political structure,[141] where and how it should be enforced is far from clear in his account. The nation-state within his approach lacks the real authority to ensure political rights. The region state lacks the motivation to ensure rights in a context of competitiveness that extends into social life. A global order may be the logical location of a charter that allows states to collectively establish human rights. Yet such a political and legal order will always be subservient to the logic of the global economy in exactly the same way that the MAI proposers seek to combine a strong investment regime with weak social provisions. Any attempt to provide a substantial set of human rights and social or environmental standards would interfere both with the market mechanism and the power of the investor.

Since there is no guarantee, let alone justification, of the ethical underpinning needed for a liberal society, the ideas of extended neo-liberalism do not inspire confidence that these ideas will culminate in an acceptable form of liberal governance. Whether one is a neo-liberal or a social/welfare liberal, it is clear that the ideas of *extended* neo-liberalism make the liberal vision of equal liberty and social stability increasingly precarious. Even if we ignore the narrow views of democracy that the technocratic approach of extended neo-liberalism holds, it is clear that even the potential of impressive economic results of a deregulated economy are not enough to satisfy people. Ultimately there are basic rights, guarantees and a sense of security that the ideas of extended neo-liberalism do not provide in their single-minded preoccupation with providing the right conditions for the 'invisible hand'.

Conclusion

Many people searching for an approach to governance within a globalising world would dismiss the arguments of the MAI proposers and Ohmae out of hand. While it is apparent that there are severe problems with the approach of extended neo-liberalism, this chapter has also demonstrated that this alternative rationale of governance is distinct from neo-liberal governance. Even before the protests against economic globalisation began to build momentum, it was clear that this rationale was extremely audacious and more than a little

[141] Ohmae, Kenichi, Henzler Herbert and Gluck, Fred "Declaration of Interdependence Towards the World-2005" in Ohmae, Kenichi, *The Borderless World: Power and Strategy in the Global Marketplace*, p. 216.

naïve. By turning away from the nation-state as the locus for governance, the ideas of extended neo-liberalism are not only radicalising the current direction of public policy across the world but also embarking on a potentially dangerous and irresponsible direction. While Ohmae espouses the importance of people having increased economic openness and choice, and while he criticises interest groups for frustrating governance that forwards such choice, in the end Ohmae is a lobbyist himself. It is just that Ohmae's constituency of the interest groups includes transnational corporations and not domestic interest groups. Like the proposers of the MAI, Ohmae is willing to merely have a change of the relevant interest groups that dominate policy making – ones that usher in the interests associated with the global economy and depose those interests connected to societal or civic interests. Ultimately, while extended neo-liberalism seeks to ensure that global markets and TNCs have increased power and mobility, there are no guarantees that people will find themselves in a stable society that provides even a modicum of protection against these global flows of capital.

While the tensions between the national competition state and a global economy are fairly clear it is not clear how stable a world of capitalism *sans* the nation-state would be. Nevertheless, it is unlikely to assist the most vulnerable people around the world or promote a greater sense of political and economic stability. In addition, when it comes to sustaining global capitalism the state is a necessary, albeit imperfect, friend of economic globalisation. Extended neo-liberalism and Ohmae in particular are reluctant to accept the importance of the nation-state as an institution that enforces and supports the processes of economic globalisation – instead relying on a context where capital reigns without such broadly legitimate institutionalisation. Ultimately neglecting the state both as a means to a stable society and as the support for the continuing reproduction global capitalism is a risky proposition. In harnessing, in fact surrendering to the global economy, the proposers of the MAI and Ohmae are endangering *both* the possibility of societies being able to address inequality and insecurity, as well as the form of economic organisation that they place so much faith in.

CHAPTER FIVE – CONTRACTUAL NATIONALISM: GOVERNING THROUGH THE NATION-STATE

> The challenges of this age are also extraordinary and the cost of failing to meet them is high. The actions we take today will determine what kinds of jobs Americans will have tomorrow, how competitive our businesses will be in the global economy, how well our children –especially the poorest among them – will be to succeed... and how secure we will be as a nation in an increasingly complicated world.[1]

Another way that liberalism can govern in a global economy is to respond directly to social dislocation by government action. While neo-liberal governance and extended neo-liberalism address social dislocation indirectly, relying on the market to achieve desirable outcomes, other liberals have emphasised the importance of developing social cohesion in order to sustain both liberal values and global capitalism. Rather than break the state down to region states or attempt to govern at a global level, the arguments analysed within this chapter attempt to retrieve the nation-state as a viable location for governance. This position which I term here as contractual nationalism,[2] asserts that the reason that the nation-state is sought as the site for governance stems from the need for a legitimate locus of stability within the turbulence of economic globalisation. Contractual nationalists argue that in order for social stability and belonging to be renewed, a national community needs to be remade so that mutual responsibility can be the foundation for the perpetuation of economic globalisation.

The approach of contractual nationalism draws from the ideas of economic nationalism[3] and social liberalism,[4] in that it seeks to maximise the wealth of the nation-state by way of governmental activity. Economic nationalism asserts that

> a nation's citizenry largely shares (or should share) a common economic fate, the state has a crucial *positive* role in guiding the national economy to better performance, and the imperatives of nationalism should guide the state's economic policies.[3]

[1] Bill Clinton, *Between Hope and History* (New York, Random House, 1996), pp. 11-2.
[2] I am indebted to Paul James for coming up with this title, although naturally he is not responsible for the formulations I make with it.
[3] Alex Callinicos, *Against the Third Way* (Cambridge, Polity, 2001), pp. 6-7.
[4] James Richardson, *Contending Liberalisms in World Politics: Ideology and Power* (Boulder, Lynne Rienner, 2001), p. 192.

Economic globalisation clearly challenges the idea of a common economic fate within the nation-state. As such, the position of contractual nationalism attempts to found a new national social contract that fosters social cohesion *and* the pursuit of economic globalisation. Ultimately, contractual nationalism seeks inclusion and a shared future in a way that neo-liberal governance does not, without this national community itself being illiberal. In contrast to the confidence of full-blooded neo-liberalism, the proponents of contractual nationalism acknowledge that the social dislocation and inequality inherent in economic globalisation is a threat to stable government, liberal values of justice and potentially to the smooth functioning of capitalism itself. The aim of this project is social stability that *enables* effective governance and profitable capitalist enterprise.

Contractual nationalism, as I will outline in this chapter, consists of three overlapping arguments. The first stems from Robert Reich and his idea of positive economic nationalism. The second is Will Hutton's critique of Thatcherite neo-liberalism and his argument for a stakeholding society. The third draws a heavy influence from both Reich and Hutton and operates under the title of the Third Way. This argument is expressed by Anthony Giddens and by the policies articulated by President Clinton of the USA and Tony Blair, the Prime Minister of the UK. All these writers and political leaders are often placed under the banner of the Third Way. However, this is misleading essentially because of substantial differences between Reich and Hutton on one hand, who represent the first generation of contractual nationalist thinking and the Third Way that has enacted only a selective understanding of the earlier arguments of Reich and Hutton. The chapter will then furnish the argument that these perspectives possess an underlying rationale that has substantial problems of realistically being able to moderate the social exclusion evident in economic globalisation.

Robert Reich: The Shift to a Global Economy

Robert Reich is scholar of political economy who was also the Secretary of Labour during the first Clinton Administration. As Secretary of Labour his major projects involved efforts to raise the minimum wage, increase training, instigate good corporate 'citizenship' and improved

---

[1] David Levi-Faur, "Economic Nationalism: from Friedrich List to Robert Reich" *Review of International Studies* 23, 1997, p. 360.

labour-business relations.[6] Ultimately, although political forces at play in the U.S. political arena hindered these efforts,[7] he argued that a new social compact was needed between workers and business to stay productive and competitive in an increasingly competitive global economy. This argument was developed in his book *The Work of Nations*. This book examines the political ramifications of the changing world economy and the social impact of these changes.[8] Robert Reich identifies the nature of the globalising economy by emphasising the movement from "high volume" to "high value" production, the increasing importance of information technology in the production process and the nature of production taking place in global webs that, in many cases, transcend any one nation-state.[9] Reich is concerned about the effects of economic globalisation on the populace of the Western world and believes that this process is responsible for the generation of inequality and fragmentation.

It is Reich's contention that the global economy is bisecting the nation-state in such a fundamental way that it makes it difficult to talk about a nation-state as a single coherent body with a shared fate. Despite the fact we talk and organise our thoughts in line with our nation, he claims "there is no longer a 'we'".[10] The national bargain that linked workers and the owners of capital has come undone. Within the context of economic nationalism, national corporations were rooted within the nation. In the 1950s the national corporation was the "national champion", with firms such as General Motors and U.S. Steel being the cornerstone of the American economy.[11] While other nations had their own 'champions', by the 1990s, Reich contends that corporations from all over the world were no longer clearly acting within the national interest of their home nation since corporate decisions were increasingly "driven by the dictates of global competition, not by national allegiance".[12] Not only is it increasingly difficult to determine the nationality of an actual product that is made from components from

---

[6] Robert Reich, "Pink slips, Profits, and Paychecks: Corporate Citizenship in an Era of Smaller Government" Speech at George Washington University, Feb 6, 1996 and "The New Corporate Citizenship" Speech at the Town Hall, Los Angeles, Apr 16, 1996.

[7] These factors included a Republican dominated congress and the Clinton administration's aim to reduce the federal deficit.

[8] Robert Reich, *The Work of Nations* (London, Simon and Schuster, 1991). His other important publications are *The Next American Frontier* (New York, Times Books, 1983) "Toward a New Public Philosophy", *The Atlantic Monthly*, V 255, May 1985, "The Economics of Illusion and the Illusion of Economics", *Foreign Affairs*, V66 n3, 1988, *The Resurgent Liberal* (New York, Random House, 1989) and "The Real Economy", *The Atlantic Monthly*, February 1991.

[9] Reich, *The Work of Nations*, p. 81.

[10] Robert Reich, "American Society in a Global Economy", *Society*, V28, n1, Nov/Dec, 1990, p. 67.

[11] Reich, *The Work of Nations*, pp. 43-44.

[12] Robert Reich, "Who is Them?" in Kenichi Ohmae (ed.), *The Evolving Global Economy* (Boston,Harvard Business Review, 1995), p. 161.

different nation-states,[13] but corporations are also owned by people from different nations-states.[14] In addition, corporations have been forced to operate according to new principles of international competition that emphasise "speed and agility" on a global scale.[15] The competitiveness and flexibility of corporations and the owners of capital has created a context that cannot be readily reconciled with the long-term interest of a nation's workers.

Reich sees a distinct clash between the interests of workers/citizens and corporations.[16] Clearly there is a deep divide between those nationals who are globally mobile and in control of the circuits of investment on one hand, and the majority, on the other, who are rooted to a particular place where they live, work, pay taxes and raise their families. While an increasing array of actors in the global economy are operating according to a globally competitive mentality, there remains a deep divide in the impact of policies on various people's interests. Reich claims that the idea that "the strength of the American economy is synonymous with the profitability and productivity of American corporations is thus an axiom on the brink anachronism".[17] Therefore, Reich is keen to distinguish between the nation's economic interest and the interests of national companies. A conception of the national interest that joins the two is increasingly difficult to sustain because of the different trajectories of the investors and workers. Policies that assist investors may not be the in the interests of workers.

This clash of interests is most obvious when it comes to political debates in Western nation-states regarding economic policy, of which the political debate in America is illustrative. Reich claims that traditionally the Right wing Republicans represent the interests of the wealthy and the owners of industry and the Left wing Democrats represent the interests of the workers and the poor.[18] The economics of Republicanism in the U.S. is built around the belief that wealth "trickles down" from the wealthy, so that a tax cut to the rich or lowering capital gains tax will boost the national economy.[19] On the other side of U.S. politics, the traditional Democrat claim is that the allocation of the tax burden is not fair and that taxes on the rich should increase so as to pay for social and educational programs to aid the lower and middle classes. It is Reich's contention that both viewpoints [illegible] that this deadlock creates

[13] Reich, *The Work of Nations*, chp 10.
[14] Reich, *The Work of Nations*, chp 9.
[15] Reich, *The Work of Nations*, p. 89. This speed and agility is [illegible] of the corporation itself with the "enterprise web" replacing the hierarchal model as the predom[illegible] corporation. See *The Work of Nations*, chp 8 and 10.
[16] Reich, *The Work of Nations*, p. 153.
[17] Reich, *The Work of Nations*, p. 135. See also Reich, "American Society in a Global Economy"
[18] Reich, "The Real Economy", pp. 36-37.
[19] Reich, "The Real Economy", pp. 36-37.

a "false picture of where the economy is heading and what must be done".[20] Reich claims that the Republicans are wrong, because the future of the U.S. economy no longer rests in the hands of motivated American capitalists. Rather a nation's "unique attributes" are the skills and insights of the work force, and how well those skills and insights are linked to the global economy.[21] Moreover wealth, instead of trickling down, increasingly "trickles out" in the form of foreign investments.[22] While the benefits for wealthy capitalists from foreign investments are clear, the benefits for others within the nation are limited; "with the connections between American capitalists and the American economy thus unravelling, all that remains rooted within our borders is the American *people*".[23] The traditional Democrat position is also wrong in Reich's view, because in the current global context, the government's role must go beyond the attempt to spread wealth and should seek to "build our human capital and infrastructure, and bargain with global capital on our behalf".[24] In such negotiations it is the *type of work* associated with that capital that matters – the nationality of the owners of the capital should not make a material difference.[25]

Compounding the divide between corporations and workers is the divide between the different types of work that citizens undertake and the significant cleavages opening up within society as a result.[26] The inequality and polarisation that stems from the diverging fortunes of various forms of work – the differing value added by people even within the same nation-state means that the majority of workers in most nations are "losing ground" in relation to "symbolic analysts" (knowledge workers) and the owners of capital.[27] Yet the crux of the dilemma for Reich is that the wealthy are loosing their connectedness with the poor within their nation-state. This "secession" stems from the fact that economic fortunes have diverged so significantly that the wealthy no longer depend upon the poorer sections of society at all.[28] This secession is evident in declining public investment and services because of decreasing taxation regimes on the wealthy. Ultimately,

---

[20] Reich, "The Real Economy", p. 36.
[21] Reich, "The Real Economy", p. 36 and *The Work of Nations*, p. 135.
[22] Reich, "The Real Economy", p. 36.
[23] Reich, "The Real Economy", p. 36. Italics in original.
[24] Reich, "The Real Economy", p. 36.
[25] Reich, *The Work of Nations*, pp. 166-8.
[26] Reich, *The Work of Nations*, p. 154.
[27] Reich, *The Work of Nations*, p. 244.
[28] Reich, *The Work of Nations*, p. 252. See also Christopher Lasch, *The Revolt of the Elites and the Betrayal of Democracy* (New York, W.W. Norton & Company, 1995), p. 45.

> if the future could be predicted on the basis of trends already underway, laissez-faire cosmopolitanism would become the dominant economic and social philosophy of advanced nations. Left to unfold on its own, the world wide division of labour not only will create vast disparities of wealth within nations but may also reduce the willingness of global winners to do anything to reverse this trend towards inequality – either within the nation or without.[29]

The inequality that stems from the changing global division of labour and the detachment of the wealthy from the fortunes of the rest is precisely the problem that Reich seeks to moderate. Given these processes, Reich outlines a policy prescription that aims to maximise the welfare of people within this emerging global economy. This is called "positive economic nationalism",[30] and while he presents this suggestion in the context of the U.S.A., it is clearly applicable to other Western nation-states.

Renewing the National Interest within a Global Economy

Reich details three ideal type responses to the globalised economy. It is instructive to examine why Reich discards the first two responses. Firstly, Reich identifies "zero sum" nationalism as a response to economic globalisation that suggests a protectionist and isolationist position regarding the rest of the world. Reich claims that the "they win or we win" thinking that zero sum nationalism develops is increasingly incorrect and ultimately "endangers global economic prosperity" largely because it closes opportunities for foreign capital to invest, and fails to see the value of technology to a society even if it is produced elsewhere.[31] Likewise, zero sum nationalism, while pointing towards a common social bond that Reich is sympathetic towards, is regressive and unhelpful in a globalised world. While the impulse to protect the interests of those within the nation-state is a potent one for the state, Reich argues that defensive and protectionist strategies are no longer in the long run interests of people within the nation-state. The webs of production that now cross the globe make everyone a potential partner in global production.[32] Efforts to insulate society from economic globalisation are unlikely to succeed and will only distance the citizens from opportunities that global capital or

---

[29] Reich, *The Work of Nations*, p. 315.
[30] Reich, *The Work of Nations*, p. 311.
[31] Reich, *The Work of Nations*, pp. 307-8. Reich indicates that, "People may be willing to forgo absolute gains to prevent their perceived rivals from enjoying even greater gains. While understandable, such zero-sum impulses are hardly to be commended as a principle of international behaviour. Since economic advances rarely benefit the citizens of all nations in equal proportion, such an approach, if widely adopted, would block most efforts to increase global wealth" (p. 308).
[32] Reich, *The Work of Nations*, p. 153.

international co-operation may provide. The ability to perceive or address problems outside the nation-state's borders is also constrained within this response.[33]

Reich refers to the second alternative as "cosmopolitanism".[34] This is where the 'global citizen' is in the position of having a detached and impassive perspective to the world's problems and is less inclined to pursue zero-sum solutions.[35] However, Reich is certainly of the opinion that this detached position also exists in relation to any responsibility for a solution. Thus while he believes that cosmopolitanism is becoming a dominant force in society, he is opposed to the detached and impassive stance it projects. His fear is that cosmopolitanism is particularly prevalent among the wealthy and that these people are successful in relation to the rest of society but "may feel no particular bond with any society".[36] Without a societal bond, any form of sacrifice for others becomes unlikely. This fragmentation of national solidarity emasculates any meaningful notion of citizenship or civic responsibility and a public inclination that can provide the financial means to deal with the consequences of a global economy. This creates a chasm between the wealthy and other groups in society and places the idea of public policy that will promote the interests of the less fortunate sectors, or the society at large, in jeopardy.[37]

Reich's third and preferred response is that of "positive economic nationalism", in which

> each nation's citizens take primary responsibility for enhancing the capacities of their countrymen for full and productive lives, but who also work with other nations to ensure that these improvements do not come at others expense. This position is not that of the laissez-faire cosmopolitan, because it rests on a sense of national purpose – of principled historic and cultural connection to a common political endeavour.[38]

Neither is this scenario zero-sum in the sense that the "overarching goal" is to increase global wealth and welfare. Positive economic nationalism does not seek to increase the welfare of

---

[33] From the perspective of dealing with global problems, zero-sum mindsets are a formidable problem when identifying or dealing with these concerns. Environmental problems, nuclear proliferation, the drug trade and terrorism are issues that cross borders and require global co-operation to solve. Also co-operation will be required to assist the circumstance of the poor in many regions of the world. This co-operation and the institutions that need to be forged can only operate if a broader notion of the national interest is pursued. Reich, *The Work of Nations*, p. 307.
[34] Reich, *The Work of Nations*, p. 309.
[35] Reich, *The Work of Nations*, pp. 309-10.
[36] Reich, *The Work of Nations*, p. 310.
[37] Reich, *The Work of Nations*, p. 309.
[38] Reich, *The Work of Nations*, pp. 311-12.

one nation-state at the expense of another.[39] This position also rejects any idea that the "national bargain" of the post-war period, between 'national' corporations and the people of a nation-state, can be resurrected.

Positive economic nationalism seeks to deal with globalisation in a productive and realistic way that enhances the workforce of the nation. While the fragmentary effect of a globalised economy undermines the historical basis of the nation-state, where people and corporations worked together with a shared fate, Reich believes that the idea of the national interest is not dead. He notes that while nearly everything is "fungible: capital, technology, raw materials, information" – a nation's workforce is not.[40] Reich acknowledges that corporations and all the factors of production at their disposal operate on a global field, but claims that the workforce is becoming more essential to prosperity in the global economy. Supporting and improving the workforce and the social environment that develops it is the core of any 'new' national interest.

The central objective of national government in Reich's view is to maximise and improve the living standards of its citizens.[41] Given the fact that there has been a divergence of the aims of the corporation and citizens/workers, the way the government is to pursue prosperity concentrates on attracting capital that provides quality work for the nation's workforce. How this can be done has less to do with the success of native companies operating within the nation than with the competitiveness of people and firms of whatever origin operating within the nation. This means it does not matter if high wage opportunities in the US arise from capital that originates from Japan, Germany or indeed from the US The corporation as a "national champion" is no more. Rather it is a separate, mobile entity that must be courted for the jobs and opportunities that it can provide a nation-state. In respect to the economic prospects of American citizens, Reich claims that

> the point, rather, is that efforts to increase the profitability of American-owned corporations are the wrong vehicle for achieving this end. Habituated to an older economy in which corporate nationality mattered, policy makers have been more concerned about who owns what than about which nation's work force learns to do what.[42]

---

[39] Reich, *The Work of Nations*, p. 312.
[40] Robert Reich, "Who is Us?" in Kenichi Ohmae, (ed.), *The Evolving Global Economy* (Boston, Harvard Business Review, 1995), p. 148.
[41] Robert Reich & Ira Magaziner, *Minding America's Business* (New York, Harcourt Brace Jovanovich, 1982), p. 11.
[42] Reich, *The Work of Nations*, p. 168.

For Reich, two points stem from this observation. Firstly, government should attract corporations of any nationality if they can provide high quality jobs. Merely supporting native corporations because they are native is dubious in the emerging global economy. Secondly, some groups of workers, most notably blue collar-routine producers, have not been adding sufficient value to the global economy to maintain or increase their standard of living.[43] This contrasts with the workforce that is closer to the global webs and flows, such as symbolic analysts, who are succeeding and considerably enhancing their standard of living. These points mean that there is only one thing governments can do to improve living standards and reduce polarisation within a global economy: invest in people.[44]

There are clear opportunities for government action within a global-informational economy where the standard of living depends on what people do or know, as well as what they own.[45] But as a means to improve the prospects of individuals, public investment in areas such as education, skill and infrastructure development have been traditionally considered by business and neo-liberal circles as expensive and frivolous. Yet Reich's explanation turns this on its head. Reich's vision is of a global economy in which the source of wealth for a nation's citizens is their accumulated skills and education, as well as the quality of the social and material infrastructure, which is essential to attract mobile capital, especially from the high technology sectors.[46]

By actively courting capital of any 'nationality', the competitiveness of a nation-state to capital is crucial. Positive economic nationalism is formulated around an understanding of the mobility and power of transnational capital. It seeks to harness this capital by providing an attractive environment and a "competitive advantage" to those firms who undertake economic activity within that nation-state's territory. According to Reich, there are two paths that the nation can take in the contest for global capital. The first is the creation of a "virtuous cycle", where education attracts global capital that enables workers to perform complex tasks, which develops experience, on the job training and further education that leads to more and more complex tasks. The people working in these fields "receive more and more from the rest of the world in exchange for their services", which Reich claims "permits them to invest in better

[43] Reich, *The Work of Nations*, p. 245.
[44] Reich, *The Work of Nations*, pp. 301 and. 312-3.
[45] Reich, *The Work of Nations*, p. 301.
[46] Reich, *The Work of Nations*, p. 245 and "Training a Skilled Workforce: Why U.S. Corporations Neglect Their Workers", *Dissent* V 39, n1,1992.

schools, transportation, research and communications systems".[47] The second path is a "vicious cycle" in which global capital is lured only by low wages and low taxes.[48] These conditions make it extremely difficult to finance education and training, hence making it hard to escape the vicious cycle. In addition the conditions of global competition can keep pushing wages down. Clearly in both cycles not everyone can work in an informational job or even a highly skilled manual job. But an education system can improve the skills of workers and also provide mobility to other fields of work.[49]

Ultimately in Reich's picture of positive economic nationalism, the nation-state is the key to social and economic stability. He presents the case for the state being responsible for its members by making the most of the opportunities of the global economy. While "money is unpatriotic", Reich claims that

> People... are relatively immobile, and they belong to societies with particular cultures and histories and hopes. It is up to governments to represent people, to respond to their needs and fulfil their hopes - not to represent global money.[50]

The core value of positive economic nationalism is that the state *can and should* influence the way the nation-state interacts with the global economy, rather than letting the global economic forces wash over a nation-state and determine the 'successful' and the 'unsuccessful'.

The Policies of Positive Economic Nationalism

Positive economic nationalism has six main policy themes that attempt to make global integration mesh with national welfare. First, the core of positive economic nationalism is aimed at promoting a high quality workforce to attract world-class firms in order to promote a high standard of living. The policies to achieve this are ongoing training and education programs. In order to tap into the global economy and unleash the virtuous cycle of knowledge work an extensive education system for all will be required with an ongoing commitment to life long education and training. It will not be enough to rely on firms to do all of the training because of the mobility of workers and the short-term profitability mentality of

[47] Reich, "The Real Economy", p. 43.
[48] Reich, "The Real Economy", p. 43.
[49] See Reich, *The Work of Nations*, chp 20.
[50] Robert Reich, "Who Do We Think They Are?" *The American Prospect*, n 4 (winter), 1991, p. 53.

many firms. Reich argues that the government will have to lead the way with human investment.[51]

Second, a high level of public investment in physical infrastructure such as roads, communications and airports will be required. This is in order to attract capital to smoothly running cities with efficient transport and communications systems. These elements of investment are clearly important to attracting capital but the public infrastructure relating to childcare and health care provision is also important to positive economic nationalism.[52] Having children, health problems or being unemployed for a long period are all barriers to entry into the work force. Selective public investment can enable entry into the workforce for people who would, if left to the market, be excluded from productive enterprise.[53]

Third, the pursuit of high quality jobs may require more than just an attractive environment for globally mobile investors. Reich's conception of positive economic nationalism demonstrates an admiration for European style social democracy by arguing that governments should also consider an industry policy, in the form of public subsidies, public research and development funding and joint ventures with private industry to attract high value added production, as well as research and development.[54] Such subsidies would neither be across the board protection or limited to domestic firms. The aim of selective state intervention in the production process would be to aid "sunrise" industries and to help fade out "sunset" industries and would be aimed at maximising the interests and potential of workers.[55]

Fourth and more ambitiously, Reich suggests that there should be forms of collective bargaining by nation-states for investment flows. Reich is intent on minimising the disruptive impact he believes stem from investor mobility both within the nation-state and internationally. Within the nation-state Reich advocates the idea of collective bargaining between various provincial levels of government by centralising the investment negotiations conducted by regional governments. Reich believes that "by avoiding internal bidding contests, they [governments] end up paying far less to attract investment and have an easier

[51] Reich, *The Work of Nations*, p. 249 and "Training a Skilled Workforce"
[52] Reich, *The Work of Nations*, p. 313.
[53] Reich, *The Work of Nations*, p. 249.
[54] Reich, *The Work of Nations*, p. 313.
[55] Reich, *The Work of Nations*, pp. 313-4.

time getting the jobs they want".[56] Internationally, he claims that the provision of subsidies and the bargaining with capital would have to be internationally negotiated with the result being "a kind of GATT for direct investment" that would set out "the rules by which nations could bid for high-value-added investments by global corporations".[57] Nevertheless, the international edge of positive economic nationalism is not particularly well developed. Reich's references to policies aimed at assisting developing economies are confined to a generalised support for debt reduction measures and for free trade in the shape of maintaining the openness of wealthy markets.[58] As we shall see, the vagueness of the external context of contractual nationalism is a recurring theme.

Fifth, Reich articulates the idea of "new" corporate citizenship. For Reich, co-operation between society, corporations and government is an essential component of economic success in a global age since "if the government is to do less, then the private sector will have to do more".[59] This means government should reward firms, possibly through tax exemptions, that invest in the training and health of their workers.[60] Corporate citizenship is another way of moderating "bidding wars" engendered by corporations between localities for tax breaks. Such behaviour does much to undermine local government finances and, ultimately, society. Corporate citizenship should encourage businesses to balance their shareholder and community obligations and reverse declines in corporate philanthropy.[61]

Sixth, and underpinning the previous policies, Reich defends the idea of a new social compact and a renewed moral bond within the nation-state. In order to implement these policies that enhance the competitiveness of a nation-state and the skills within society, somebody has to pay. Reich emphasises that "good education, training, health care, and public infrastructure... will be costly".[62] Reich notes that only the symbolic analysts and the wealthy that can afford to increase their tax burden but

> herein lies the paradox: As the economic fates of Americans diverge, the top may be losing the long-held sense of connectedness with the bottom fifth, or even the bottom four-fifths, that

---

[56] Reich, "Who is Them?", pp. 176-7. Reich looks favourably at the European Union's efforts to review investment and minimise bidding amongst member states. See p. 177.
[57] Reich, *The Work of Nations*, p. 313 and Reich, "Who is Them?", pp. 180-1.
[58] Reich, *The Work of Nations*, p. 314.
[59] Reich, "Pink slips, Profits, and Paychecks", p. 1.
[60] Reich, "Pink slips, Profits, and Paychecks", "Toward a New Social Compact: The Role of Business" Speech before the National Alliance of Business in Dallas, Sep 27, 1994 and "The New Corporate Citizenship".
[61] Reich, *The Work of Nations*, pp. 279-81.
[62] Reich, *The Work of Nations*, p. 250.

would motivate such generosity. Ironically, as the rest of the nation more economically dependent than ever on the fortunate fifth, the fortunate fifth is becoming less and less dependent on them.[63]

Reich addresses this issue by pointing to both the claim that "our mutual obligations as citizens extend beyond our economic usefulness to one another",[64] as well as Tocqueville's notion of "self-interest rightly understood".[65] While these republican notions are admittedly less compelling with the fragmentation of the economic fates of rich and poor, Reich claims that positive economic nationalism is superior to the options. Both visions of autarkic zero sum nationalism and *laissez faire* cosmopolitanism endanger cohesive nation-states and the future of a stable global economy.[66] Thus there is the long-term interest of the wealthy embedded with the idea of positive economic nationalism. A society dislocated from the global economy and set upon a vicious cycle is not inevitable *or* in the interests of the successful. The preferred alternative is a nation-state where the successful invest in other people within the nation-state in order for more people to add value to the global economy and thus attract capital and prosperity within an informational-global economy. Furthermore, this loyalty to a nation and its people will have to reverse the secession of the successful and polarisation in order not just for that nation-state to make the most of a global economy but to enhance the human capital needed to facilitate and expand the global economy itself.

Will Hutton: Britain within a Global Economy

Another account of contractual nationalism originates from Will Hutton, an economic analyst who examined the social impact of free market policies and global capitalism within the British context. Like Reich, Hutton advocates the development of a capitalist society that carries forward a joint concern for social justice and expanded opportunities for involvement by people excluded from neo-liberal economic enterprise. Hutton does not believe that capitalism is self-forming or self-regulating. He claims that capitalism is "socially produced and politically governed".[67] As such *The State We're In* represents a critique of the neo-liberal project of the Thatcher government and the English capitalist elite more generally.

---

[63] Reich, *The Work of Nations*, p. 249.
[64] Reich, *The Work of Nations*, p. 315.
[65] Reich, *The Work of Nations*, p. 303. See Alexis Tocqueville, *Democracy in America* translated Lawrence G, edited Mayer J P (London, Fontana Press, 1994), pp. 523-8.
[66] Reich, *The Work of Nations*, pp. 305-311.
[67] Will Hutton, *The State We're In* Revised Edition (London, Vintage, 1996), p. 17.

Hutton's analysis of Margaret Thatcher's government is interwoven with the development of global capitalism and the idea that "there is no alternative" other than deregulation and privatisation.[68] He notes

> the world had changed in ways that decisively favoured her project. The lady, as she famously opined, was not for turning - a statement she made, safe in the knowledge that the world economy was pushing all states in the direction in which she wanted to travel.[69]

Hutton's critique questions the alleged economic success and the social sustainability of this new direction of capitalism. He claims that this new direction has failed to benefit large sections of society, spawning inequality and sacrificing the "civilising values of an inclusive society".[70] In critiquing this new social order of economic globalisation and Thatcherism, Hutton emphasises principles of inclusion and public involvement in his formulation of a "stakeholder society".[71]

The social order that Thatcherism created in Britain echoes the observations made earlier in Chapter 2. Hutton points to the extension of capitalist logic and the "market principle" further into areas of government and social life.[72] Hutton also emphasises the dominance of financial markets at a global level. Within Britain this has unleashed the dominance of finance over production, long latent within Britain according to Hutton, and influenced government policy in terms of extending financial deregulation and aiming at low inflation.[73] The dominance of finance over productive investments also leads to rampant short-termism and an undercutting of a nation-state's capacity to produce goods and employ people.[74] Hutton emphasises the interventionist role that the Thatcher government played in redefining the role of the state and pushing the neo-liberal policies of deregulation, privatisation and the demobilisation of unions.[75] These dynamics culminate in the creation of substantial wealth for some, while visiting redundancy and dislocation upon large sections of English society.

According to Hutton, the social impact of neo-liberalism has three main manifestations. Firstly, there is the development of substantial inequality that stems from changes to taxation

[68] Hutton, *The State We're In*, p. 66.
[69] Hutton, *The State We're In*, p. 62.
[70] Hutton, *The State We're In*, p. 15.
[71] Will Hutton, *The State to Come* (London, Vintage, 1997), p. 90.
[72] Hutton, *The State We're In*, p. 12, 15 and 217.
[73] Hutton, *The State We're In*, p. 312.
[74] Hutton, *The State to Come*, pp. 43-4.
[75] Hutton, *The State We're In*, pp. 92-3.

rates and changing employment patterns and conditions. The changes to taxation in the Thatcher reforms included cutting top tax rates and a shifting of the burden of tax from direct to indirect taxation.[76] The changing working conditions during the 1980s in Britain included the weakening of unions, the growth of flexible part-time and casual work, and the substitution of labour with technology or the relocation of productive enterprise overseas. Hutton claims that the combined effect of these changes was that the real income of the bottom sixth of Britain's population's fell between 1979 and 1991, "while the income of the top 10 percent rose by more than half".[77] Secondly, weakened social cohesion is obviously connected to rising inequality and uncertainty. This leads to what Hutton terms a "thirty, thirty, forty society", a society fragmenting between "the *disadvantaged*", "the *marginalised* and *insecure*", and "the *privileged*".[78] Hutton points to the geographic concentrations of poverty and social exclusion, as well as the undermining of local communities by poverty and crime.[79] This weakens the vitality of a national community and "takes a terrible toll of the social groupings that represent the building blocks of our humanity".[80] Lastly, Hutton contends that a 'marketised society' has a significant impact on government finances. The goal to reduce government expenditures on welfare provision was an absolute failure because dramatic increases in inequality and unemployment raised the number of social security claimants in Britain from 7 million in 1979 to 11 million in 1993.[81] This pressure, and the generally shortsighted approach to social policy from the Thatcher government, meant that public efforts of training people to keep them off welfare were actually weakened - the aim "was to allow the market to do the job".[82]

Hutton's critique of Thatcherism is further strengthened by his examination of the economic failures of the neo-liberal project in Britain. The aim of the neo-liberal reforms was to facilitate the smooth functioning of markets and to improve Britain's economic performance. According to Hutton it did not. The transformation of English society to a free market society did not bear

> impressive fruit. Britain has certainly become a more unequal society than it was in 1979 but the pie, rather than expanding more quickly, is if anything expanding more slowly. The collapse of

[76] Hutton, *The State We're In*, p. 170.
[77] Hutton, *The State We're In*, p. 172
[78] Hutton, *The State We're In*, pp. 105-8. Italics in original.
[79] Hutton, *The State to Come*, p. 74 and *The State We're In*, p. 225.
[80] Hutton, *The State We're In*, p. 225.
[81] Hutton, *The State We're In*, p. 185.
[82] Hutton, *The State We're In*, p. 187 (pp. 187-192 more generally).

social cohesion that comes when the market is allowed to rip through society has produced a fall in the growth rate.[83]

Even in narrow economic terms, neo-liberalism in Britain during the Thatcher period was a dramatic disappointment. The neo-liberal reforms instituted by the Thatcher government's policies have "eroded the fabric of social life" that in turn "has weakened the economy.[84] Hutton claims this has set Britain down a low tax, low wage path within the global economy that parallels the vicious cycle outlined by Reich.[85]

Turning to a Stakeholder Society

Hutton's task of restoring a fair and productive society involves developing inclusion in a double sense. First, any alternative to the neo-liberal model of governance must enhance the importance of citizenship and thereby include all people within the political processes of the state. Secondly, it is imperative that the consequences of economic reforms to people must be calculated in a broader sense than economics and built into the political processes of government. Hutton argues that this means the development of a "wise society" which "with proper democratic mechanisms would take a more rounded view of what constitutes efficiency and make a more pragmatic judgement about the balance between private and public interests".[86] Taking a broader conception of efficiency means that poverty or loose health regulation, in food inspection for instance, are seen as uneconomical and harmful for society as a whole, and measures to improve efficiency in particular areas, such as transport, will improve the efficiency of those who use or rely upon that particular service.[87] The objective is to avoid the spillovers that stem from narrow conceptions of efficiency that have huge potential costs and risks for society.[88]

Hutton contends that the state has a fundamental role to play in the process of moving away from neo-liberalism. In particular, the "book-keeper's conception of efficiency" and the belief that markets are always self regulating both have to be removed from government action if a fair and productive society is to be possible.[89] Hutton is also keen to point out that while the

[83] Hutton, *The State We're In*, p. 175.
[84] Hutton, *The State We're In*, p. 192.
[85] Hutton, *The State We're In*, p. 192.
[86] Hutton, *The State to Come*, p. 21.
[87] Hutton, *The State to Come*, pp. 21-4.
[88] Hutton, *The State to Come*, p. 23.
[89] Hutton, *The State to Come*, pp. 23-4.

state's capacity for discretion has been reduced by economic globalisation, especially because of global financial markets, it *has not* become completely powerless.[90] Hutton emphasises that this is not to say that a top down monolithic state is the answer.[91] Rather, it is to argue that the state is an essential sit of orchestration that operates "to design institutions, systems and a wider architecture which creates a better economic and social balance, and with it a culture in which common humanity and the instinct to collaborate are allowed to flower".[92] This contrasts with the competitive model of the minimal and instrumental state that enforces market principles.

At the heart of a "stakeholder society" is a state operating as an architect that is guided by processes of democracy and citizenship that involve people in a more direct way than with neo-liberalism.[93] Hutton claims that the point of this activity is to "design incentives, make laws and create new innovative institutions" that enables actors in society (such as pension funds, banks and unions) to voluntarily moderate the costs of selfishness and promote "common purposes".[94] The aim is a more inclusive and fairer society that engages in policies that avoid short-term investment and individualistic capitalism which create an unfair distribution of risk, income and opportunity on people.[95] The task is an intricate one where

> the object of the exercise is to keep the merits of private ownership while reshaping the way it works. Thus the great challenge of the twentieth century, after the experience of both state socialism and of unfettered free markets, is to create a new financial architecture in which private decisions produce a less degenerate capitalism.[96]

In a very real sense this 'new financial architecture' translates to a new social architecture. According to Hutton, if the actual institutional design of the state and society can be infused by the logic of stakeholding then capitalism will operate to produce the type of society that is more hospitable to a stable and just form of capitalistic enterprise.

The idea of a stakeholder society involves significant changes to the institutional basis of society, the configuration of the state and the broader international context. These changes are

---

[90] Hutton, *The State to Come*, p. 60 and *The State We're In*, pp. 312-3.
[91] Hutton, *The State to Come*, pp. 63-6.
[92] Hutton, *The State to Come*, pp. 64-5.
[93] Hutton, *The State to Come*, p. 65.
[94] Hutton, *The State to Come*, p. 65.
[95] Hutton, *The State to Come*, p. 69.
[96] Hutton, *The State We're In*, p. 298.

all enmeshed within the notion of an inclusive model of citizenship that promotes a republican notion of civic responsibility and participation as well as rights in respect to a wider public good extending beyond individual private interests.[97] This republican context is the grounding Hutton sees as being necessary for a "stakeholding economy", where citizenship extends beyond the political sphere into the economic and social spheres, and delimits the operation of businesses. Businesses, on Hutton's account, ought to legally take into account the interests of key stakeholders - trade unions and banks for instance[98] - but also include broader and continuing societal concerns by emphasising long-term investment, a responsibility for the negative externalities of capitalism and a commitment to co-operation with other actors with differing private interests.[99]

The institutional changes required to enact the stakeholder concept extends deep into society. Hutton believes that civil society and unions, businesses and banks need to be built into a system of co-operation, which extends beyond serving their own interests. Moreover, these new responsibilities are to be set down in law not just in "voluntary codes".[100] Hutton also believes that "the task is to get the institutions that lie between the state and the individual ... to operate in ways that reflect the costs that individualist action motivated by self-interest necessarily imposes on the rest of us".[101] This will require government "triggering" mechanisms that "will entrench such behaviour and allow for common purpose" by creating laws and institutions that provide incentives for cooperation.[102] If the negative economic and social costs *are* to be avoided and the benefits are to be obtained, the government will have to increase the incentives for this behaviour to be followed. This utilisation of carrots and not sticks requires an active state that has both the policies and the constitutional structure *able* to include people and healthy civil society in its decision-making processes.

The type of state involved in stakeholding requires changes at two levels. The first is at the level of policy, especially in relation to the direction of the welfare state. Not only does the welfare state play an important role in insuring against risk, underwriting social cohesion, and investing in society, it

[97] Hutton, *The State We're In*, chp 11.
[98] Hutton, *The State We're In*, p. 295.
[99] Hutton, *The State We're In*, p. 298 and *The State to Come*, pp. 64-5.
[100] Hutton, *The State We're In*, pp. 295-6.
[101] Hutton, *The State to Come*, p. 65.
[102] Hutton, *The State to Come*, p. 65.

> is a badge of a healthy society: it is a symbol of our capacity to act morally, to share and to recognise the mutuality of rights and obligations that underpins all human association. It is an expression of social citizenship.[103]

The investment function of the welfare state is especially important in a society that desires people to have the opportunity and the skills to improve their own positions as well as the position of the whole society. The "social returns" of the welfare investment represents both long-term economic sense and moral sense.[104] This investment is not inexpensive. It requires a progressive tax system and the commitment from the wealthy that stems from a stakeholder society.

The second change is in the constitutional structure of the state. Hutton argues for a "republican attitude" to construct an inclusive and transparent constitutional structure in Britain.[105] The development of a republican constitutional structure is clearly pertinent to other Western states where the unfettered interests of capitalists have overrun public interests. Hutton rails against what he sees as the centralised and "careless" nature of Britain's *de facto* constitutional foundation which "conforms to no agreed rules nor clearly articulated principles... [which set out] the functions of government and the rights and obligations of citizens".[106] He argues that a republican attitude would require a formal stake by all people in the society and the economy of which they are part and "recognise that constitutions are guarantors of the continuing contract that must exist between governors and the governed".[107] This would create a state that is less distant from people, more interested in building civil society and more accountable to the people.[108] Hutton feels that the public mind-set that stems from a republican constitution would assist the development of a stakeholding society by making authority more responsive to people and transparent to public oversight.[109] Aside from renewing an inclusive and publicly directed political system, a shift towards a republican constitution would assist in enabling countries such as Britain to "play its part in the construction of an international financial and trading system in which renewal is not undermined by rentiers moving offshore".[110]

---

[103] Hutton, *The State We're In*, p. 306.
[104] Hutton, *The State We're In*, pp. 307-11.
[105] Hutton, *The State We're In*, p. 286.
[106] Hutton, *The State We're In*, p. 286.
[107] Hutton, *The State We're In*, p. 287.
[108] Hutton, *The State We're In*, p. 288.
[109] Hutton, *The State We're In*, pp. 287-8.
[110] Hutton, *The State We're In*, p. 286.

According to Hutton, the international context necessary to a stakeholder society requires a re-invention of the "bargain" that enabled Bretton Woods to balance international capitalism with stability.[111] He suggests a "supranational authority" that enables predictable exchange rates; permits states to choose the "right trade-offs between inflation, growth and employment"; facilitates social and environmental values to be included in investment and trade regimes; and lastly enables developing countries to access the markets of the industrial world.[112] This is needed so that the world's financial markets can facilitate stability and predicability for investors and citizens alike. Hutton also emphasises the development of regional ties, such as the case of Britain in the European Union, because it is easier to build the stakeholder society with like-minded states. Hutton is keen to cement Britain into a framework that would enable social and economic programs that no one state could promote on its own.[113] In particular,

> social market Europe can formalise its rules and codes so that while there is enough latitude for countries to retain their particular institutions, there is still a larger framework within which a co-operative, more committed form of capitalism could be defended. If Europe wants to defend its idea of a welfare state and stakeholder, social capitalism – it will have to do so in a united way.[114]

If the idea of a stakeholder society is to operate it must involve an international context that contrasts markedly from the neo-liberal consensus that operates within economic globalisation.

While I find the ideas of a stakeholding society and a stakeholding international economic architecture a persuasive alternative to neo-liberalism, the societies that Hutton (and Reich) draw inspiration from – in particular social democratic Europe – have been buffeted by the realities of economic globalisation and the ideological ascendancy of neo-liberalism.[115] As such there is always the danger that the ideas of Reich and Hutton would become compromised by the prevailing currents of neo-liberalism and the need to promote a 'softer' alternative to neo-

[111] Hutton, *The State We're In*, p. 313.
[112] Hutton, *The State We're In*, p. 314.
[113] Hutton, *The State to Come*, p. 92.
[114] Hutton, *The State We're In*, p. 315. Of course the European Union as it is presently constituted is not just shaped by social democracy – neo-liberalism and financial concerns have played a substantial role in the development of the monetary union. See Stephen Gill, "European Governance and New Constitutionalism: Economic and Monetary Union and Alternatives to Democracy" *New Political Economy*, Vol 3, No 1, 1998 and Wolfgang Streeck, "Public Power Beyond the Nation State" in Robert Boyer, and Daniel Drache, (eds.), *States Against Markets* (London, Routledge, 1996).
[115] *The Economist*, "Stakeholder Capitalism", Feb 10th, 1996, Ramesh Mishra, *Globalisation and the Welfare State* (Cheltenham. Edward Elgar, 1999), pp. 97-100 and Stephen Gill, "Global Structural Change and Multilateralism" in Stephen Gill (ed.), *Globalisation, Democratisation and Multilateralism* (Basingstoke, Macmillan, 1997), p. 13

liberalism within the context of economic globalisation. I contend that the Third Way is an example of precisely this process.

The Third Way

The ideas of Reich and Hutton have played a significant part in the development in the late 1990s of a broader movement towards an alternative to neo-liberalism referred to as the Third Way. The key proponents of the Third Way, notably Clinton and Blair, were joined by European leaders in championing the Third Way as a practical, softer alternative to harsh neo-liberalism.[116] But was it? Critics of the Third Way have dismissed the Third Way as being "Thatcherism pursued by other means".[117] Furthermore, the proponents of the Third Way were very selective in the way they appropriated the ideas of Reich and Hutton. Unlike the proposals of Reich and Hutton, the ideas of the Third Way came to be entirely tied to employment and social policies, not to some of the bolder ideas that linked investment and institutional reform to an alternative to neo-liberalism. The Third Way is centred on a more cautious and pragmatic programme.[118]

Anthony Giddens is a high profile supporter of New Labour in Britain and an influential proponent of the Third Way. In his terms, the Third Way is

> a framework of thinking and policy-making that seeks to adapt social democracy to a world which has changed fundamentally over the past two or three decades. It is a third way in the sense that it is an attempt to transcend both old style social democracy and neo-liberalism.[119]

Most problematically he has described the Third Way as being an extension of social democracy,[120] whereas Reich and Hutton have mostly defended their ideas in liberal terms. This also runs contrary to the movement across the world incorporating liberal political

---

[116] Anthony Giddens, *The Third Way and Its Critics* (Cambridge, Polity, 2000), pp. 4-5 and Callinicos, *Against the Third Way*, p. 2.
[117] Callinicos, *Against the Third Way*, p. 3.
[118] Callinicos, *Against the Third Way*, pp. 23-6. Blair has commented that governments around the world are "all coping with the same issues: achieving prosperity in a world of rapid economic and technological change; social stability in the face of changing family and community mores; a role for Government in an era where we have learnt Big Government doesn't work, but no Government works even less" Blair, Tony, "Doctrine of the International Community" Speech by the UK Prime Minister April 22, 1999 <http://www.globalpolicy.org/globaliz/politics/blair.htm> (Accessed on 20th October 2001), p. 7.
[119] Anthony Giddens, *The Third Way* (Cambridge, Polity, 1998), p. 26. See also Anthony Giddens, "Centre Left at Centre Stage" *New Statesman*, May, 1997, Special Edition and Anthony Giddens, "After the Left's Paralysis", *New Statesman*, 1 May, 1998.
[120] Giddens, *The Third Way*, p. 26.

parties (in the US) and radically shifting the nature of social democratic parties.[121] In particular, the British Third Way, as expressed by New Labour, ended up in "assimilating some of the most advanced ideas of liberalism" within the Labour movement.[122] Consequently, the dominant philosophical underpinnings of the Third Way are liberal-capitalist not socialist or democratic. Indeed, it is central to my argument that Third Way ideologues are actually *sustaining* liberalism and capitalism. As David Marquand elaborates

> the social liberal and social democratic traditions were not identical but they both held that the capitalist free market should be tamed in the interests of social citizenship and human flourishing. New Labour has turned that proposition inside out. Its aim is to re-engineer the society and culture so that the economy can compete more effectively in the global market place.[123]

Certainly the seeds of this reversal are also discernable in the writings of Reich and Hutton, who defend the instrumental value of social cohesion and community in an era where such traits are attractive to high technology investment. Similarly, investment in education and health are seen to be desirable *because* they provide enhanced opportunities for the individual and for the economic prosperity for society, not because of 'social citizenship' or 'human flourishing'.

The main elements of the Third Way program draw from the ideas laid down by Reich and Hutton and aim towards the same ideas of social investment, institutional reform and social cohesion. Giddens points to the "social investment state" as being an alternative to the welfare state that advances a programme of "positive welfare" where education, training and childcare are not exercised solely by the state but by an increasing array of societal frameworks and individual initiatives.[124] A "synergy" of public and private bodies can now do tasks that used to get done either by the market or the state.[125] Indeed, the divide between civil society and the state becomes blurred in the Third Way program because, while civil society is seen as

---

[121] Callinicos, *Against the Third Way*, pp. 8-11.

[122] Michael Freeden, "True Blood or False Genealogy: New Labour and British Social Democratic Thought" in Andrew Gamble and Tony Wright (eds.), *The New Social Democracy* (Oxford, Blackwell, 1999), p. 151. See also Callinicos, *Against the Third Way*, pp. 8-12, Jonathon Freedland, "The Third Way is Staring Labour in the Face, But They haven't Seen it Yet" *The Guardian* <http://reports.guardian.co.uk /articles/1998> (Accessed on the 22nd of September) and Will Hutton, "Here is a Programme that Allows New Labour to Face Two Directions at Once, its Favourite Posture" *The Guardian* <http ://reports. guardian.co.uk/articles/1998> (Accessed on the 22nd of September)

[123] David Marquand, "The New Statesman Essay - The old Labour rocks re-emerge", *The New Statesman* Monday 27th September 1999 <http://www.consider.net/library.php3> (accessed the 30th September 1999). See also Richardson, *Contending Liberalisms in World Politics*, p. 198.

[124] Giddens, *The Third Way*, pp. 111-28.

[125] Giddens, *The Third Way*, p. 100. See also Richardson, *Contending Liberalisms in World Politics*, p. 197.

the locus of crucial human networks, it is also seen as the location for the carrying out of crucial tasks by civil society for the state and the economy. Third Way social investment places wealth generation at the forefront of efforts to promote measures that lift people from disadvantage. Giddens claims that the social investment state has "an essential role to play in investing in the human resources and infrastructure needed to develop an entrepreneurial culture".[126] Essentially, governments ought to foster the skills needed for breaking cycles of poverty in an increasingly capitalistic and technological context, rather than by supporting people with traditional welfare state entitlements.

The welfare policies of the Third Way overlap considerably with an emphasis on the development of community. The building of community is not a new task for government, but the Third Way places extraordinary emphasis on both local and national forms of community. According to Giddens, attempting to facilitate "'community' doesn't imply trying to recapture lost forms of social solidarity"; rather "it refers to practical means of furthering the social and material refurbishment of neighbourhoods, towns and larger local areas".[127] The development of forms of community is to be achieved by a mix of state and civil society, not the domination of one. Giddens is of the opinion that if the state withdraws from the direct provision of public services, local groups can carry out the provision with probably better results coupled with the creation of public involvement and local initiative.[128] Local partnerships between government, civil society and the private sector are crucial to the Third Way's "positive welfare" program and to the facilitation of community.

Nevertheless, the Third Way faces a difficult task, not only in seeking to promote local forms of community involvement, but also in attempting to foster an inclusive national community in circumstances of "new" individualism, pluralism and social fragmentation.[129] This 'communitarian' agenda, already being discussed within the US and Britain, is also evident in Giddens' assertion of "no rights without responsibilities"[130] and Clinton's ideas of "opportunity, responsibility and community".[131] The Third Way, especially New Labour, emphasises community values and social cohesion[132] but ultimately weds social cohesion to the notion of progress. It does so because proponents of the Third Way assert that the only

[126] Giddens, *The Third Way*, p. 99.
[127] Giddens, *The Third Way*, p. 151.
[128] Giddens, *The Third Way*, p. 80.
[129] Giddens, *The Third Way*, pp. 36-7.
[130] Giddens, *The Third Way*, p. 66.
[131] Clinton, *Between Hope and History*, p. 8.
[132] Callinicos, *Against the Third Way*, pp. 45-6.

way a community can survive is to "embrace the future".[133] However, this national community is not an inward looking one based on homogeneity, but rather premised upon the nation bestowing forms of belonging and acting as a "stabilizing force, a counter to endless fragmentation".[134] This mixture between cosmopolitanism and a communitarian conception of the nation is best captured in Giddens' neologism, the "cosmopolitan nation".[135]

The Third Way's emphasis on national community is backed up by institutional reforms that strive to avoid emphasising either a large state or free markets. Instead, Giddens holds that "the good society is one that strikes a balance between government, market and the civil order".[136] This vision emphasises the decentralisation of the state without weakening its authority; constitutional reform along the lines of codifying basic rights and responsibilities; improving "administrative efficiency" through the introduction of market principles along the lines of "reinventing government"; and general improvements in transparency and accountability.[137] Giddens also points to the importance of experimenting with "local direct democracy" and other measures that include citizens in the enactment of law and policy.[138] Giddens connects this to what he mysteriously refers to as the "downward pressure of globalisation".[139] More concretely, Blair asserts that

> We are modernising our constitution. We have devolved power to a new Parliament in Scotland and a new Assembly in Wales. We are handing power back to local government, because we believe that power should be exercised as close as possible to the people it affects.[140]

Such reforms are aimed at increasing the legitimacy and inclusiveness of the state making space for civil society to thrive – but stops short of emphasising the state's republican responsibility to its public that Hutton thought so important.

The balance between the market and state that characterises the Third Way is also manifest in its international dimensions. As Giddens contends, "the emerging global order cannot sustain

---

[133] Clinton, *Between Hope and History*, p. 17. See also Callinicos, *Against the Third Way*, p. 12.
[134] Giddens, *The Third Way*, p. 129. See also Blair, "Doctrine of the International Community", pp. 8-9.
[135] Giddens, *The Third Way*, pp. 130-2.
[136] Giddens, *The Third Way and Its Critics*, p. 165. See also Blair, "Doctrine of the International Community", p. 7.
[137] Giddens, *The Third Way*, p. 75. From David Osbourne and Ted Gaebler, *Reinventing Government* (New York, Plume, 1992)
[138] Giddens, *The Third Way*, p. 75.
[139] Giddens, *The Third Way*, p. 75.
[140] Blair, "Doctrine of the International Community", p. 7. See also Richardson, *Contending Liberalisms in World Politics*, pp. 196-7.

itself as a 'pure marketplace'".[141] As such, he makes refers to the importance of cosmpolitanism alongside the idea of pluralism within the nation-state, such that the support of global governance and rule of law supports the practice of national self-determination.[142] This support of liberal internationalism, which was mirrored by the practices of the Blair and Clinton governments, is augmented in Giddens work by references to the importance of forms of global governance able to act on economic stability, ecological risk and peace.[143] While the efforts of Blair and Clinton to secure peace in places like Somalia and Balkans have come under significant criticism for their selectivity and ulterior motives,[144] they do point to the ways the Third Way does have an external dimension that incorporates a vision of "international community".[145] By this Blair means that we are bearing witness to

> the explicit recognition that today more than ever before, we are mutually dependent, that national interest is to a significant extent governed by international collaboration... Just as within domestic politics, the notion of community – the belief that partnership and co-operation are essential to advance self-interest – is coming into its own; so it needs to find its international echo. Global financial markets, the global environment, global security and disarmament issues: none of these can be solved without intense international co-operation.[146]

Nevertheless, despite rhetoric about a "far-reaching overhaul and reform of the system of international financial regulation",[147] there seems to be significant limits to the resolve of this conception of international community and the Third Way governments in particular.[148] Giddens notes that global forms of taxation, such as the Tobin tax, may be desirable but have not been enacted due to a "lack of political will".[149] However, he does not tease out how the Third Way would generate the political will to regulate global finance or indeed be able create a global consensus capable of moderating the social problems stemming from global capitalism.

Indeed, the aim of Third Way policies in reference to welfare, social cohesion as well as domestic and international political institutions is to *adapt* to the reality of economic

---

[141] Giddens, *The Third Way*, p. 129.
[142] Giddens, *The Third Way*, chp 5.
[143] Giddens, *The Third Way*, pp. 129 and 152-3.
[144] Callinicos, *Against the Third Way*, pp. 68-74 and Andrew Bacevich, "Policing Utopia; The Military Imperatives of Globalization" *The National Interest* No. 56, Summer 1999.
[145] Blair, "Doctrine of the International Community", p. 7.
[146] Blair, "Doctrine of the International Community", p. 3.
[147] Blair, "Doctrine of the International Community", p. 3.
[148] Callinicos, *Against the Third Way*, p. 109 and Richardson, *Contending Liberalisms in World Politics*, pp. 193 and 199-200
[149] Giddens, *The Third Way*, pp. 144-7.

globalisation, not to significantly change its course. The overarching aspiration of Reich, Hutton and the Third Way is to hold society together by sustaining global capitalism and employing a cohesive nation-state to attract the prosperity that the global economy has to offer. This cohesion is based on a mix of self-interest on the part of the members of a nation-state with an attempt by government to foster communal values. Hence the Third Way rests on an implicit national contract between the various people within the nation-state and the social cohesion it 'creates'. The primary aim of this instrumental community and national contract is to sustain global capitalism, not to promote nationalism or patriotism. As such, the underlying rationale of Reich, Hutton and the Third Way can best be understood as contractual nationalism.

The question central to this thesis is whether the broad position of contractual nationalism can sustain capitalism in a way that addresses the social problems stipulated in Chapter 3. While there is common political and moral purpose evident in the writers and proponents of this alternative form of governance, there are notable differences between Reich and Hutton over various issues. While both agree on the need for a national contract they disagree over who should be included. Reich extends the contract to those companies present within the nation-state, while Hutton appears to make national membership a criterion for involvement. Likewise they differ over the primary means by which the national contract will operate; Reich emphasises redistribution of resources, Hutton emphasises a broader program of regulation.

Nevertheless, the differences over policy direction become more apparent when Reich and Hutton are compared with the writers and proponents of the Third Way. The shifting sands of contractual nationalism are evident in the way that the primary aim of the first generation of writers, manifest in the ideas of Reich and Hutton, was to hold society together; prosperity would follow. By comparison, the primary goal of later manifestations of contractual nationalism is evident in the Third Way's efforts to enable nation-state's to make the most of the global economy; social investment is more important than social cohesion. While there is common moral standpoint across these positions, in many respects there has been a reversal of political priorities. The instrumental nature of a social bargain has been therefore extended under the Third Way and the more significant efforts to rework government regulation of corporations or investment in line with the new national interest were unceremoniously abandoned. The 'republican reform' ideas of a self-governing state that regulates capitalism, as is found most notably in Hutton (and to lesser degree in Reich), go considerably beyond the

core concerns of the way contractual nationalism has been interpreted and articulated by policy-makers associated with Third Way governments. Yet, I contend that this shift from the interventionism of Reich and Hutton to the weaker stand of the Third Way is *inherent* to contractual nationalism because of the instrumental and pragmatic basis of even the first generation of contractual nationalism. The shift within contractual nationalism reveals the values that comprise this alternative approach to government and the instrumental foundations on which the various initiatives are based.

The Elements of Contractual Nationalism

The idea of social investment, social cohesion and competitive advantage become a self-reinforcing circle within the ideas of contractual nationalism, especially in the way various Third Way leaning governments enacted them. Contractual nationalism is inherently bound up in the reproduction of global capitalism through stable cohesive national communities. As such, there are four defining elements that comprise contractual nationalism as an alternative to neo-liberal governance.

First, *the nation-state is central* to the idea of contractual nationalism. Without a sense of community of this type, the aim of social cohesion would be difficult to reach and it would be difficult to motivate the wealthy to pay the taxes required to invest in human capital. By focusing on the nation-state, this approach to liberal governance emphasises the pre-existing nature of political and legal systems that can be reinvigorated and linked to an extended sense of self-interest on the part of the public.

Second, *social cohesion is important to the reproduction of a stable society*, which is essential for informational global capitalism. Governing through a nation-state that promotes inclusion and stability is more likely to promote stable capitalism and liberal values of liberty and equality than the harsh social divisions that result from stark forms of neo-liberalism. Neo-liberalism is regarded by contractual nationalists as harsh, unnecessary and ultimately unproductive. Community and long-term investment are more important within an informational-global economy than competition and short-term investment.

Third, *social investment in human capital suitable for high technology investment* is a crucial undertaking for contractual nationalism. This is important because the leading informational sectors of the

global economy require a growing number of educated workers to fulfil these tasks. In line with developing sectors of competitive advantage, governments should develop these skills in a broader and more predictable manner than the market.

Thirdly, *contractual nationalism explicitly accepts and thereby promotes economic globalisation.* The task of contractual nationalism is to balance the need for a stable national community with the program of inserting that community into the high technology webs of the global economy. Contractual nationalism seeks to balance competitiveness within the global economy with social cohesion, not the creation of a new economic system that regulates or impedes capitalistic agents or frameworks.

However, the balancing of social cohesion with global capitalism is no easy task. It is easier to sing the praises of an inclusive and outward looking community than it is to construct it in practice. In fact there are significant problems in enabling contractual nationalism to be a viable replacement for neo-liberal governance. The remainder of this chapter addresses three primary problems. First, there is the fact that contractual nationalism takes the global economy largely as given. This significantly restricts the political horizons of contractual nationalism. The second problem facing contractual nationalism is that the development of national community is *far* more difficult than supporters of contractual nationalism allow for. The third problem is that the renewed national bargain is flimsy – it does not ultimately provide a strong motivation for the wealthy to invest in their community. These problems limit the ability of contractual nationalism to be a viable approach to governance, because while it attempts to make economic globalisation more stable and legitimate, there are real questions as to whether it does enough to moderate the adverse social effects inherent in economic globalisation.

Accepting Economic Globalisation

In conceiving economic globalisation as being preordained,[150] the approach of contractual nationalism advances the practice of the competition state and therefore continues to advance economic globalisation. As Philip Cerny indicates, the idea of investment in human capital

[150] Montserrat Guibernau, "Globalization, Cosmopolitanism and Democracy: an Interview with David Held"<http://www.polity.co.uk/global/held.htm> (Accessed on the 20th of March 2002), p. 9 and Callinicos, *Against the Third Way*, pp. 26-7.

represents the "outer limits" of government action within the competition state.[151] However, even the outer limits of the competition state are significantly conditioned by economic globalisation. After all, as I argued in Chapter 2, governments framed by neo-liberal governance typically place concern for market 'sentiment' and competitiveness above other concerns. In doing so they not only promote the competitiveness of their nation-state, but they also push economic globalisation onwards. The question remains as to whether accepting economic globalisation can ever be made compatible with the goals of social cohesion and encouraging 'human capital'.

Manfeld Bienefeld's criticism of Reich is illuminating in this is respect, especially in that Bienefeld believes that nation-states can and should promote concerns other than promoting a softer form of economic globalisation.[152] Bienefeld claims that Reich's "soothing comprehensibility" belies a fundamentally fallacious vision of the world;

> it is wrong in presenting the globalisation process as inevitable and irreversible; it is wrong in implying that the successful minority can enjoy real success in a polarising and unstable world; it is wrong in assuming that a world of five billion disconnected individuals could remain a stable source of markets, profits and royalties; it is wrong in suggesting the 'better training' could rescue the majority from decline; and it is wrong in accepting the mainstream's claim that all attempts to tamper with liberalisation of trade or capital flows would necessarily 'substantially diminish our standard of living!'.[153]

Economic globalisation is not inevitable and irreversible, for the simple reason that its legitimacy is fragile and its political infrastructure is contested by the resistance of various social movements. Reich's acceptance of economic globalisation is based on his belief that it is inevitable not because of the wide spread prosperity, which by Reich's own reckoning flows only to a minority,[154] but rather because economic globalisation in Reich's eyes is technologically driven and not politically driven. Thus Bienefeld sees the social problems flowing from globalisation, which Reich himself ruminates on, as being a consequence of a particular form of capitalism. As a result, Reich also closes his mind [illegible] possibility of a

---

[151] Phillip Cerny, "Globalisation and the Changing Nature of Collective Action" *International Organisation* 49, 4, Autumn 1995, p. 611.
[152] Manfeld Bienefeld, "Capitalism and the Nation State in the Dog Days of the Twentieth Century", *The Socialist Register*, 1994 and "Is a Strong National Economy a Utopian Goal at the End of the Twentieth Century?" in Robert Boyer & Daniel Drache (eds.), *States Against Markets* (London, Routledge, 1996)
[153] Bienefeld, "Is a Strong National Economy a Utopian Goal at the End of the Twentieth Century?", pp. 419-20.
[154] Bienefeld, "Capitalism and the Nation State in the Dog Days of the Twentieth Century", p. 99.

community at the level of the nation-state that focuses on social cohesion and welfare, which thereby places competitiveness in global markets as only a second order priority.

Indeed, the reputed inevitability of global capitalism does not even guarantee the future of the fortunate few. Bienefeld casts doubt on Reich's "'Malibu forever' future", that in

> an ever more fragmented, volatile and competitive world this minority's gains will be shallow and precarious. Material gains will be offset [illegible] er losses, like increased personal and economic insecurity, more fragmented and transitory family and community relationships and an increasing incapacity to protect spiritual, ethical or environmental standards from erosion by the forces of competition.[155]

The choice between gated communities and the 'secession of the successful', on the one hand, or inclusive societies on the other, is being determined by the elites choosing the former, mostly because of the absence of an alternative that is palatable to groups that wish to maintain a privileged position in society. The uncertainty and growing insecurity for the wealthy is a significant by-product of economic globalisation that affects rich *and* poor. Hence there is the very likely possibility that the secession of the successful-cum-'Malibu forever' future of the wealthy will be a Pyrrhic victory for the elites.

Even beyond the fortunes of the wealthy, the future stability of the global economy is not so rosy that social instability will not affect rates of profit and economic growth. Instability and inefficiency are the products of an unregulated global economy. Indeed the poor rates of economic growth, the high rates of bankruptcies and inequality in the 1980s and 1990s, and the crises of the global financial system all point to the hazardous nature of an unregulated economic order.[156] As such, there is a *profound* lack of a global perspective in the response of contractual nationalism to the flaws of this economic order and to the needs of developing countries.[157] While earlier articulations of contractual nationalism pointed to the need for a new economic order, subsequent articulations have backed steadily away from radical shifts in the global economic architecture and have re-affirmed the importance of liberalisation and deregulation.[158] There is no serious effort by Third Way governments to develop a bold new global arrangement such as that which was forged at Bretton Woods so that trade, investment

---

[155] Bienefeld, "Capitalism and the Nation State in the Dog Days of the Twentieth Century", pp. 104-5.
[156] Bienefeld, "Is a Strong National Economy a Utopian Goal at the End of the Twentieth Century?", p. 429. See also Callinicos, *Against the Third Way*, pp. 42-3.
[157] Richardson, *Contending Liberalisms in World Politics*, p. 199 and Callinicos, *Against the Third Way*, p. 3.
[158] Callinicos, *Against the Third Way*, pp. 104-5.

and financial transfers can be arranged and regulated with reference to social stability, let alone the needs of the poor and vulnerable around the world. Likewise there is the implicit belief that the whole world can be computer programmers or other technologically based work; this is clearly comical and hardly a policy framework that is able to assist the vulnerable in advanced capitalist states, let alone in poorer parts of the globe.[159]

The blithe confidence of the contractual nationalist position that increased human investment will facilitate prosperity suggests a degree of over-confidence in education and training. Indeed, Bienefeld claims that the belief that training is the best way to bind the disadvantaged to the idea of a successful global economy (in the long run) is also an illusion. He critiques the training "cargo cult" not only because it "blames the victim", but also because it "obscures the fact that competitiveness and efficiency are primarily socially, not individually, based".[160] Critics of contractual nationalism note that influencing the skills within the workforce is one of the few aspects of economic life left to government discretion that involves a commitment that "often does not lead to significant action or expenditure".[161] Bienefeld indicates that training is not the solution to mass unemployment and underemployment. As long as the pursuit of profit is unmediated by political constraint, unemployment will remain beyond the means of even the most substantial of training programs.[162]

In this sense the ideas of contractual nationalism offer a futile prescription in response to the basic structure of economic globalisation. While the confidence in economic globalisation is contextualised by the case for a state that is able to foster social cohesion and human capital, the confidence in markets is absolutely central to contractual nationalism. However, it is clear that there is significant incompatibility, or at least extreme tension, between the promotion of social cohesion and human capital and the competition state. The competition state is an outward looking state that is locked into the flows of global capitalism. Promotion of social cohesion requires inward reflection on the forms of civil society and democratic processes that enable people to feel and be part of a political community. But it is necessary for the competition state to place paramount importance on its connection with the global economy, even if it means overriding domestic opinion. Thus, the competition state cannot place anything other than a minimal commitment to the notion of social cohesion. Not only are

---

[159] Bienefeld, "Capitalism and the Nation State in the Dog Days of the Twentieth Century", pp. 115-6.
[160] Bienefeld, "Is a Strong National Economy a Utopian Goal at the End of the Twentieth Century?", p. 429.
[161] Bienefeld, "Capitalism and the Nation State in the Dog Days of the Twentieth Century", p. 113. See also Callinicos, *Against the Third Way*, pp. 51-5.
[162] Bienefeld, "Capitalism and the Nation State in the Dog Days of the Twentieth Century", p. 112.

national societies fragmented by global economic flows but these societies are also sidelined by governments disciplined and distracted by global capitalism. Contractual nationalism acts as a one-way door; society can be arranged for the market but the market cannot be arranged for the interests of society. Therefore it cannot move beyond the 'outer limits' of the competition state and this is simply not far enough to ensure long-term social cohesion.

The Problems of Governing Through Community

The contradiction between social cohesion and the competition state also manifests itself in the manner in which this cohesion is supposed to be fostered and tied together. While there is little doubt that the various people who advance arguments in the vein of contractual nationalism hold to ideas of community and solidarity with sincerity, this is no guarantee that the community is going to work towards the desired goals. Indeed the very fact that the motivation and vision for a certain kind of community does not emerge from various existing communities, but rather the desires of policy-makers, points to a problematic form of association. The type of community that contractual nationalism requires for the competition state to be sustained is likely to be different from what people in society want, or in fact need. Of course assertions regarding community evident within contractual nationalism assumes that this form of community is possible. This is not a fait accompli. In essence there are two questions associated with the retrieval of community. The first is whether community can be rebuilt within an age of fragmentation, pluralism and globalisation. The second is whether community is a good thing in such an age of fragmentation, pluralism and globalisation. The problem with contractual nationalism is that its proponents address the second question first. They ask whether their vision of community is desirable before they answer whether it is possible at all.

There are two problems that complicate the possibility of building the type of community suitable for contractual nationalism. The first is a 'goldilocks' problem. The community has to be just right. If the community that emerges from government policy is too strong and snowballs into a community with tight affiliations and belief in proportional sacrifices – there might be political demands that the wealthy might be unwilling to bear and indeed may hinder the competition state. If the community is too weak it will be unable to muster even the faintest commitment to the goal of cohesion and a commitment of wealthy to invest in the less fortunate. The second problem is one that gives weight to the idea that a weak community

is likely to be the result. This is because any feasible form of community will have to have some conception of the common good to pull people together. However the complex and heterogeneous make-up of modern industrial societies, indicated in the work of Schumpeter in the 1940s, makes the idea of a common good extremely difficult to reach.[163] The development of globalisation and the rise of post-modern sensibilities dramatically expand these differences within society and escalate the difficulty in forging a common good.

To complicate the likelihood of the realisation of this community even further, the idea of an outward looking community or a "cosmopolitan nation" inherent in contractual nationalism asks emotional gymnastics of people within a national community. This is not to say that this form of open community is not possible, just that it is unlikely to command the same sacrifice or create the same bonds as people struggling against a common enemy. Indeed it is important to point out that this critique of contractual nationalism's conception of community does not entail that all forms of community are impossible. Clearly communities continue to exist in various places, including the nation-state.[164] But nationalism in many Western societies is taking a background form with the continued propagation of national symbolism and "banal nationalism".[165] Yet these national communities do not imply a national *bargain* of the type seen in the post war world that explicitly places responsibilities – in the name of the national community – on the wealthy. In this sense, and in this sense only, can the nation be regarded as a community that has been dramatically undermined by the onset of economic globalisation.[166] Nevertheless, the ways in which the legitimacy of the nation-state is undermined in an era of economic globalisation does prompt the practical need for liberals to resurrect new responsibilities and bonds so as to buttress the legitimacy of the nation-state within this context. Indeed contractual nationalism revives a line of liberal thought that sought to counter-balance harsh capitalism with a view that emphasises "harmony" and the social nature of justice and equal liberty.[167] The "new liberals" of the late nineteenth century believed that the nation could be relied upon for social solidarity. These liberals took the nation-state as a basis for a "moral community" that was necessarily and "naturally implied by individual self-

[163] Richard Bellamy, *Rethinking Liberalism* (London, Pinter, 2000), pp. 94-5.
[164] Manuel Castells, *The Power of Identity, Vol II of The Information Age: Economy, Society and Culture*, (Oxford, Blackwell, 1997), chp 1 and 2.
[165] Michael Billig, *Banal Nationalism* (London, Sage, 1995), chp 1.
[166] See Phillip Cerny, "Paradoxes of the Competition State: The Dynamics of Political Globalisation", *Government and Opposition*, Vol. 32, n 2, 1997 and "Globalisation and the Erosion of Democracy" *European Journal of Political Research* Vol. 36, no. 1, August 1999
[167] L.T. Hobhouse, *Liberalism* (London, Oxford University Press, 1964[1911]), p. 72. "New liberals" included L.T. Hobhouse, T.H. Green and John Hobson, among others. See also Richardson, *Contending Liberalisms in World Politics*, p. 192, Marquand, "The New Statesman Essay - The old Labour rocks re-emerge" and Alan Ryan, "Britain: Recycling the Third Way" *Dissent*, Spring 1999.

development".[168] However, the vision of nationalism embedded in social liberalism or contractual nationalism has to contend with the forms of nationalism and community that are reactions *against* economic globalisation.[169] Contractual nationalism cannot assume the continuing resonance of the nation within a globalising period with the same ease of liberals of the late nineteenth century Britain.

For these reasons, retrieving or indeed reinventing a community that is suitable for the policies of contractual nationalism is a difficult act. The nation-state under the idea of contractual nationalism is not a community of discourse and deliberation. It is an instrumental form of community - if this idea is not an oxymoron - with the only common purpose being an economic one from which people obtain widely diverging shares. Not only does the desired community have to walk a fine line between a strong community and a weak one, but the very nature of community itself is thrust upon an increasingly atomised society that perceives community in ways that do not neatly match the visions of policy-makers.

The Lament of the Symbolic Analyst

The attempt to jointly pursue economic globalisation and a national community is a tension-riddled project that not only does not seem reconcilable with late modern pluralism, but also seems caught up in an outright contradiction. The contradiction stems from trying to tap into the flows of global prosperity by using a national community that is being fragmented in the process. It seems the project of contractual nationalism is using community to achieve something that is quite simple. It seems that contractual nationalism, particularly the Third Way, is afraid to say what is really needed: to bind the capitalists and symbolic analysts to a shared conception of a common public good that makes them pay for the system from which their fortunes flow. This goal is simpler and more to the point than the meandering articulations of community evident within contractual nationalist thought. Yet claims to such community, while quite possibly liberal, are not only difficult to achieve in practice but also a complicated and precarious way to make global capitalism sustainable.

---

[168] Richard Bellamy, *Liberalism and Modern Society* (Pennsylvania, Pennsylvania State University Press, 1992), p. 50.
[169] See Richard Falk, "Resisting 'Globalisation-from-above' Through 'Globalisation-from-below' *New Political Economy*, Vol. 2, No. 2 March 1997 and Mark Rupert, "Globalization and the Reconstruction of Common Sense in the US" in Stephen Gill and James Mittelman (eds.), *Innovation and Transformation in International Studies* (Cambridge, Cambridge University Press, 1997)

Despite the divided economic fortunes of citizens in the nation-state, there are still bonds between people of a nation-state, even if they do not provide the basis for strong economic nationalism or a national bargain that provides a foundation for redistribution. Contractual nationalism attempts to wield the existing national filaments together so as to make the most of global capitalism by promoting human capital and the attractiveness of a stable society to global capital. For this to work the wealthy must take responsibility and pay for it. However,

> one needs a large amount of good faith to believe that the class of symbolic analysts will *voluntarily* acknowledge and undertake such responsibilities. Other than the ethical appeal of such responsibilities, Reich does not provide any grounds on which such a political scenario may be established.[170]

While Hutton is far more willing to intervene in the issue of property rights than the proponents of the Third Way,[171] the contradiction of desiring community *and* desiring not to encumber the wealthy is the precarious bottom line of contractual nationalism. Giddens makes a telling point when he says "of course, the fundamental problem to be faced up to is: can anything be done for the have-nots without exerting more control over the prerogatives of the haves"?[172] Contractual nationalism not only operates with the aim of benefiting the haves but also relies on community instead of citizenship to bind the wealthy and poor into a common and mutual framework of security. The unwillingness to ascribe rights and responsibilities to all (including the wealthy) consigns those who need public wherewithal to live and prosper to declining fortunes, regardless of the type of community in place. The somewhat ironic result is that contractual nationalism also does not give the symbolic analyst or the capitalist what they most need: the two-way flow of security and certainty. This security is not established within a nation-state let alone via mechanisms that make security a possibility at an international level between wealthy and poor states.

Consequently, contractual nationalism does not possess a moral purpose that is capable of addressing inequality or insecurity within an advanced capitalist state, let alone at a broader global level. Alex Callinicos and G. A. Cohen point to the ways in which community is important to the development of public sentiments that address inequality.[173] As Cohen

---

[170] Levi-Faur, "Economic Nationalism" p. 369.
[171] Hutton, *The State We're In*, chp 11.
[172] Giddens, "Centre Left at Centre Stage", p. 39.
[173] G. A. Cohen, *If You're an Egalitarian, How Come You're So Rich?* (Cambridge, Harvard University Press), pp. 120-1 and Callinicos, *Against the Third Way*, pp. 63-7. See also David Held's critique in Guibernau, Montserrat, "Globalization, Cosmopolitanism and Democracy: an Interview with David Held"

contends, "*for inequality to be overcome, there needs to be a revolution in feeling or motivation, as to opposed to (just) in economic structure*".[174] Cohen makes the point that "what is required is indeed an ethos, a structure of response lodged in the motivations that informs everyday life".[175] While contractual nationalism utilises policies that seek to involve more people within capitalistic enterprise, it simply does not possess a public sentiment that seeks to moderate inequality. Ultimately, contractual nationalism is embedded within the same logic of economic growth and competitiveness as neo-liberal governance.[176] To moderate the social stemming from economic globalisation, an ethos is needed both within a nation-state *and* between nation-states that provides a rationale for some forms of redistribution and regulation of global capitalism.

Ultimately, while technology, the norms of a 'market civilisation' and the institutional mentality of the competition state make economic globalisation possible, they cannot sustain it indefinitely. Contractual nationalism represents an effort that promotes community as a softer more productive version of neo-liberalism, but it is one that does not provide an ethos or political structure capable of eliciting the resources to sustain a softer version of global capitalism or generate significant public support. As such, the ideas of contractual nationalism have inevitably collapsed into the Third Way and become "an empty slogan" that Reich feared.[177] The Third Way shows little sign of becoming the "broad based political movement" that Reich believes it must in order to a viable alternative to the neo-liberal project.[178]

Conclusion

Contractual nationalism is an alternative approach to governing that seeks to rebuild a nation-state whose populace are skilled and amenable in regards to the developing global economy. Reich, Hutton and the proponents of the Third Way agree that neo-liberalism has ushered in processes that undermine both capitalism and a stable society. Significant social dislocation is not compatible with the type of society and people needed for an informational economy. Even though the ideas of the first generation of contractual nationalists – that is, Reich and Hutton – that sought to establish social cohesion by elaborate government activism were bold,

---

[174] Cohen, *If You're an Egalitarian, How Come You're So Rich?*, p. 120. Italics in Original.
[175] Cohen, *If You're an Egalitarian, How Come You're So Rich?*, p. 128.
[176] Callinicos, *Against the Third Way*, p. 7.
[177] Robert Reich, "Third Way Needs Courage" *The Guardian* <http://reports.guardian.co.uk/articles/1998> (Accessed on the 22nd of September 1999), p. 1.
[178] Reich, "Third Way Needs Courage", p. 1. See also Richardson, *Contending Liberalisms in World Politics*, p. 197.

there was always the inherent danger that the ideas were going to be whittled away by the ideological and institutional forces of economic globalisation. The Third Way represents the manifestation of that possibility: the minimum social stability and human investment needed for competitive advantage within a shorter set of economic and social horizons. Contractual nationalism contains no strong reason that social cohesion and social investment should be maximised other than when it can provide a competitive advantage within a global economy. In addition, while contractual nationalism seems well tailored to advanced capitalist states, its fixation on high-technology capitalism and neglect for the needs of developing states, coupled with the dearth of an extensive account of global governance, *severely* limits its viability in global sense.

Contractual nationalism faces problems both in terms of fulfilling its primary goal – global competitiveness – and its secondary goal, which is holding society together. A nation-state imbued by contractual nationalist ideas needs an ethos that is going to hold a democratic community together. However, an instrumental and thin form of association will not be sufficient even if it is put in place. Contractual nationalism struggles to be an alternative to neo-liberalism because it understates the reason that many liberals have sought an alternative to neo-liberal governance in the first place: that the nation-state and social stability cannot be taken for granted. Contractual nationalism takes social cohesion seriously but does not have the mechanisms or an ethos to make social cohesion an enduring possibility. We now turn to a liberal alternative that possesses an ethos that seeks to reshape global capitalism at a global level.

CHAPTER SIX – COSMOPOLITAN GOVERNANCE: BUILDING GLOBAL DEMOCRACY

> The idea of a political community of fate – of a self-determining collectivity which forms its own agenda and life conditions – can no longer meaningfully be located within the boundaries of a single nation-state alone.[1]

So far the second part of this thesis has examined liberal alternatives to neo-liberal governance that have largely accepted the primacy of capitalism. Within the tradition of liberalism there are alternative approaches that do not prioritise capitalism and involve institutionalising liberal principles into world politics. These approaches revolve around a desire to develop international structures of governance that extend beyond merely attempting to support capitalism. One version of this ideal is liberal internationalism, which involves the practice of cooperation amongst liberal nation-states, with an emphasis on the use of diplomacy and international law rather than on force, and the development of international institutions and organisations.[2] Liberal internationalism has shaped world politics and is a background assumption to neo-liberal governance as well as authors and policy makers within contractual nationalism.[3]

A stronger version of the movement towards a liberal world government is liberal cosmopolitanism. Cosmopolitanism, or the idea of a world citizenship, was first expressed by Diogenes and the Stoics with the claim that "each of us dwells, in effect, in two communities – the local community of our birth, and the community of human argument and aspiration".[4] Cosmopolitanism thus forwards an unwavering commitment to the universal community of humanity and a sense of detachment from solely local or national affiliations. While

[1] David Held, "Democracy and Globalization" in Daniele Archibugi et al. (eds.), *Re-imagining Political Community; Studies in Cosmopolitan Democracy* (Polity, Cambridge, 1998).
[2] James Richardson, *Contending Liberalisms in World Politics: Ideology and Power* (Boulder, Lynne Rienner, 2001), p. 55.
[3] Richardson, *Contending Liberalisms in World Politics*, pp. 55-65. See Bill Clinton, *Between Hope and History* (New York, Random House, 1996), pp. 145-151. Anthony Giddens, *The Third Way and Its Critics* (Cambridge, Polity, 2000), chp 5.
[4] Martha Nussbaum, "Patriotism and Cosmopolitanism" in Martha Nussbaum (ed.), *For Love of Country* (Boston, beacon Press, 1996), p. 7.

cosmopolitanism is "not monolithic" or exclusively liberal,[5] the universal value of individual humans is an important part of the liberal tradition and leads to differing contentions within liberalism. Some cosmopolitan positions emphasise the pre-existing nature of universal human value with the individual as the "ultimate unit" of concern.[6] While others emphasise the development of global moral responsibility as tangible interdependence expands globally.[7] Another distinction is made between "political" cosmopolitanism, which advocates the creation of universal political institutions at a global level on one hand, and "moral" cosmopolitanism on the other, which advances universal principles that do not justify global institutions but "the basis on which institutions should be justified or criticised".[8]

The idea of cosmopolitan governance forwarded in this chapter is cosmopolitan in the first, more robust sense that seeks to provide the political infrastructure of a universal political community that radically delimits the state. Cosmopolitan governance seeks to develop a world where people have an input into a single global democracy that "entails a substantive process rather than merely a set of guiding rules" or a democracy that exists solely within the state.[9] The idea of a worldwide structure of governance has a long history in Western thought,[10] but it was Kant who favoured the notion that there ought to be a global system of law that combined peace among states with the acceptance of universal "hospitality" of each and every individual from other states.[11] The revival and rethinking of this strand of thought is connected to the developments associated with the events of the late twentieth century, most notably, accelerating globalisation; the rising importance of global governance; the increase in the number of states that practice democracy around the world;[12] and the development of an extensive system of universal human rights law under the aegis of the UN.[13] However, these developments do not achieve the objective at the heart of cosmopolitan governance; the

---

[5] Nicholas Rengger, "Political Theory and International Relations: Promised Land or Exit From Eden" *International Affairs* Vol. 76 Number 4, October 2000, p. 763. See for example Andrew Linklater, "Citizenship and Sovereignty in the Post-Westphalian European State", in Daniele Archibugi, et al. (eds.), *Re-Imagining Political Community*, (Cambridge, Polity, 1998)

[6] Thomas Pogge, "Cosmopolitanism and Sovereignty" *Ethics* Volume 103, Number 1, October 1992, p. 49.

[7] Charles Beitz, *Political Theory and International Relations* (Princeton, Princeton University Press, 1979)

[8] Charles Beitz, "International Liberalism and Distributive Justice" *World Politics*, 51 (January 1999), p. 287. For similar divisions see Nussbaum, "Patriotism and Cosmopolitanism", pp. 7-8 and Kimberly Hutchings, *International Political Theory* (London, Sage, 1999), p. 35.

[9] Daniele Archibugi, and David Held, "Editor's Introduction" in Daniele Archibugi and David Held (eds.), *Cosmopolitan Democracy* (Cambridge, Polity Press, 1995), p. 13.

[10] See Derek Heater, *World Citizenship and Government: Cosmopolitan Ideas in the History of Western Political Thought* (New York: St. Martin's Press, 1996)

[11] Immanuel Kant, *Perpetual Peace and Other Essays* Trans Humphrey, Ted (Indianapolis, Hackett Publishing Company, 1983), pp. 118-119.

[12] Archibugi and Held, "Editor's Introduction", p. 3.

[13] Jack Donnelly, "Human Rights: a New Standard of Civilisation?" *International Affairs* 74, 1 1998.

global extension of democracy *across* states, so that individuals and not states are the primary moral agents.[14] This prescription of governance suggests that democracy ought to be extended to a global level so that democracy can address both local and global problems in an effective and just manner.

In this chapter I seek to examine whether the approach of cosmopolitan governance can adequately address the social consequences stemming from economic globalisation. While many scholars have developed cosmopolitan arguments,[15] two influential authors that advocate cosmopolitan positions in relation to economic globalisation are Richard Falk and David Held. These arguments are undeniably robust visions of cosmopolitanism that differ significantly from the liberal internationalism of The Commission of Global Governance's *Our Global Neighbourhood*, an attempt to strengthen the rule of law and decision making at the global level.[16] The Commission's report, aside from reflecting a tension between accepting both neo-liberalism and liberal internationalism,[17] is a project whose purpose is to protect the nation-state despite the turbulence of globalisation. Cosmopolitan governance has no intention of protecting or prolonging the existence of the state. It is the purpose of this chapter to first outline the two author's views on the nature of contemporary globalisation and the model of governance that they propose. I then examine the practical challenges facing cosmopolitan governance and assert that there is little likelihood that this form of governance will be able to address the social effects of economic globalisation.

Richard Falk

Richard Falk has written numerous books and articles about an alternative liberal order on a global scale.[18] Since the late 1960s Falk has been involved with the World Order Models Project (WOMP), a group of progressive scholars from around the world "informed by a

---

[14] Archibugi and Held, "Editor's Introduction", p. 4.

[15] See James Bohman, "Cosmopolitan Republicanism" *The Monist*, Volume 84, Number 1, January 2001, Andrew Linklater, "Citizenship and Sovereignty in the Post-Westphalian European State" and Andrew McGrew, "Democracy Beyond Borders? Globalization and the Reconstruction of Democratic Theory and Politics" in Andrew McGrew (ed.), *The Transformation of Democracy* (Cambridge, The Open University, 1997). See also collections of essays in Daniele Archibugi et al., (eds.), *Re-imaging Political Community; Studies in Cosmopolitan Democracy* (Cambridge, Polity, 1998), Daniele Archibugi and David Held, (eds.), *Cosmopolitan Democracy* (Cambridge, Polity Press, 1995) and Martha Nussbaum, (ed.), *For Love of Country* (Boston, Beacon Press, 1996)

[16] Commission on Global Governance, *Our Global Neighbourhood* (Oxford University Press, Oxford, 1995)

[17] Richard Falk, "Liberalism at the Global Level: The Last of the Independent Commissions?", *Millennium*, V24, No 3, 1995, p. 563.

[18] Richard Falk, *This Endangered Planet* (New York, Random House, 1971), *A Global Approach to National Policy* (Cambridge, Harvard University Press, 1975), *Positive Prescriptions for the Near Future* (Princeton, Center of International Studies, 1991)

desire to improve the human condition by direct political action, deploying means that reject violence, respect truth, and rest their confidence upon democracy as both process and outcome".[19] WOMP seeks to build a 'new world order'; a global resolution to the problems of war, environmental degradation as well as the promotion of development and social justice. The WOMP and Falk are critical of the ability of the state or the state system to effectively deal with these problems, largely because of the global scope of these problems and the inward looking nature of the sovereign state.[20]

Falk is mindful that the WOMP needs to be given a "fresh interpretation in light of changing contexts and perceptions, including the co-opting impact of market driven modes of globalisation".[21] For Falk the onset of economic globalisation signals the emergence of a world order that mixes the worst elements of the states system with a new capitalist logic.[22] This is creating a condition of "inhumane governance"; a global process with varying impacts that are worse for the most vulnerable around the globe with war and environmental degradation continuing within an economic framework which perpetuates social disadvantage.[23] Inhumane governance operates within a context of "globalisation from above" which is the rapidly developing practice stemming from the "market/media global nexus" and the global political structures that support the global market.[24] This process of globalisation provokes "globalisation from below" a process that stems from the growing global consciousness extending from the knowledge of a "wider we" that shares a joint future on the planet.[25] Falk sees the antagonism between these two processes as the context on which contemporary political hopes and dangers are centred.

Globalisation is not only central to the situation of inhumane governance, according to Falk but is also a process ushering in an uncertain and unsustainable future. Globalisation entails a world where

> territorial states are being bypassed, their authority diminished, and their competence and legitimacy eroded as a result of a double historical movement: globalisation beyond their reach

---

[19] Richard Falk, "From Geopolitics to Geogovernance: WOMP and Contemporary Political Discourse", *Alternatives*, 19, 1994, p. 146.
[20] Falk, *Positive Prescriptions for the Near Future*
[21] Falk, "From Geopolitics to Geogovernance", p. 153.
[22] Richard Falk, "State of Siege: Will Globalisation Win Out?", *International Affairs*, 73, 1, 1997, p. 129.
[23] Richard Falk, *On Human Governance* (Cambridge, Polity Press, 1995), pp. 1-2.
[24] Falk, *On Human Governance*, p. 88.
[25] Falk, *On Human Governance*, p. 89. See also "Resisting 'Globalisation-from-above' Through 'Globalisation-from-below'" *New Political Economy*, Vol. 2, No. 1, March 1997.

> presents one set of developments; fragmentation beyond their grasp presents another. Globalisation indicates the planetary scale of emerging technologies and their implications for the world economy, for market and capital efficiency and opportunity, with an overall homogenising impact on human experience and aspiration.[26]

Falk considers this type of activity and the institutions that support economic globalisation as regressive because "it further marginalises the more vulnerable elements in society, as already witnessed by high unemployment as a permanent feature of most affluent societies even when their economy is in a robust phase".[27] According to Falk, the reason for the globalisation of economic activity is to do with organisational changes in capital investment and changing international institutions such as NAFTA and the EU.[28] This connects with his claim that capitalism has been in an especially "cruel phase" since 1975.[29] This cruelty is enforced by the amplified promotion of "efficiency, growth and 'competitiveness'" within firms, states and between states.[30] He claims that the results of this condition are "hardship and anguish" as well as "repression and exclusion" for many people in the world.[31] Yet this is not a natural or accidental condition but rather a world order characterised by "avoidable harm" where "those in authority... are causing harm to humanity".[32] So not only is capitalism uncontested at an ideological level, but at a practical level, cruel capitalism also entails a rapid and dramatic process of restructuring within societies across the world – including those not able to readily make the adjustment. This means that welfare mechanisms within society are threatened along with state programs that attempt to reduce poverty in other countries.[33]

Within a world where governance is increasingly located at a global level, Falk believes that the states in general have a diminishing "capacity" to shape the future.[34] However, within economic globalisation, the state is also turning "increasingly into an agency for serving global economic priorities".[35] The consequences of this change to the state around the world are clear for Falk. He claims that "the state is being subtly deformed as an instrument of human wellbeing by the dynamics of globalisation, which are pushing the state by degrees and the varying extents into a subordinate relationship with global market forces" and that

[26] Falk, *On Human Governance*, p. 11.
[27] Falk, *On Human Governance*, p. 94.
[28] Falk, *On Human Governance*, pp. 173-5.
[29] Falk, *On Human Governance*, p. 48.
[30] Falk, *On Human Governance*, p. 48.
[31] Falk, *On Human Governance*, p. 55.
[32] Falk, *On Human Governance*, p. 55.
[33] Falk, *On Human Governance*, p. 49.
[34] Falk, *On Human Governance*, p. 1.
[35] Falk, *On Human Governance*, p. 177.

> many states have been rendered virtually helpless or – in some cases, worse – complicit, incorporating these destructive types of political orientation into their own governing process. This has led even some of the most admired governments gradually to dilute welfare and security programs serving their own citizens, recasting their claim for legitimate authority on a willingness to escalate the internal war against their own people beneath the banner of 'law and order', often a reliance on capital punishment, a larger better armed police force, and better prisons.[36]

This is a evocative statement regarding the emergent role of the state. Falk intimates that the state, while diminished and deformed, is a powerful component of the political infrastructure central to supporting economic globalisation.

Falk's understanding of contemporary governance largely corresponds with the argument furnished in Chapter 2 and points to a significantly curtailed range of policy options for governments. The very possibility of socially progressive policy making is diminished by the ideas of the "neo-liberal consensus".[37] In addition the power of "structural pressures" of global markets and organisations are

> particularly damaging and discrediting for those who favour the type of compassionate forms of governance associated with American liberalism or European social democracy. What this means is that, temporarily at least, in such a world order, Sweden can no longer be Sweden! The humane or compassionate state is being phased out.[38]

According to Falk, globalisation from above weakens progressive politics and leaves domestic politics with little room to operate except in a manner that contradicts the "defining ethical identity" of left of centre governments around the world, leaving these governments consistent only with pragmatism.[39] He contends that pragmatism rules because of the consequences of displeasing globalised markets – ultimately "structural factors overwhelm value preferences".[40]

---

[36] Richard Falk, "An Inquiry into the Political Economy of World Order", *New Political Economy*, Vol. 1, No. 1, 1996, pp. 14-5.
[37] Falk, "Liberalism at the Global Level", p. 564.
[38] Falk, "State of Siege", p. 130.
[39] Richard Falk, "Revisioning Cosmopolitanism" in Martha Nussbaum (ed.), *For Love of Country* (Beacon Press, Boston, 1996), p. 56. See also Falk, "State of Siege"
[40] Falk, "Revisioning Cosmopolitanism", p. 56.

Despite this development, Falk sees the processes of globalisation as also opening opportunities to fashion solutions to the problems that contemporary globalisation and inhumane governance create. The diminishing of the state opens the possibility of global institutions to replace the state and the states system as the primary form of governance for the planet. In Falk's opinion the global integration of economic, political and cultural practices makes it "almost inevitable that some form of geogovernance will take shape".[41] He feels that a desirable form of geogovenance will be shaped by those resisting globalisation from above and the need to ameliorate human suffering involved in inhumane governance by addressing the prevalence of war, human rights abuse, economic insecurity and environmental degradation. This response constitutes a "vision beyond practice".[42] This vision culminates in Falk's aspiration of "humane governance".[43]

Humane Governance

The normative project of humane governance builds upon shared aspirations, hopes and fears in order to fashion an "imagined community for the whole of humanity".[44] Humane governance

> is a preferred form of geogovernance. It is both process and a goal. Humane governance emphasises the achievement of comprehensive rights for all peoples on earth. It accords priority to those most vulnerable and abused ... Thus humane governance is less a negation of geopolitics than an insistence on its essential irrelevance to the proper ordering of political life at all levels of social interaction.[45]

Clearly an alternative to neo-liberal governance and the market driven geopolitics of economic globalisation, humane governance seeks to build a liberal political community at a global level. This form of governance focuses on establishing "a regulatory framework for global market forces that is people-centred rather than capital-driven".[46] As such it constitutes an ambitious cosmopolitan project aimed at developing a complex array of political institutions that operate

---

[41] Falk, *On Humane Governance*, p. 13.
[42] Falk, *Positive Prescriptions for the New Future*, p. 27.
[43] Falk, *On Humane Governance*, p. 9.
[44] Falk, *On Humane Governance*, p. 243.
[45] Falk, *On Humane Governance*, p. 9.
[46] Falk, "An Inquiry into the Political Economy of World Order", p. 13.

across states. These goals include the taming and abolition of war, the "stewardship of nature" and fulfilling human rights to protect the vulnerable.[47]

The principle of "global constitutionalism" is central to the foundation of humane governance as a legal and institutional framework not just a milder form of moral cosmopolitanism or liberal internationalism.[48] This process requires the "*intensified construction*" of the normative and institutional processes already under way during the twentieth century especially under the aegis of the UN.[49] Falk claims that global constitutionalism would be a

> complex institutional presence on an international scale that possesses a potential quasi-governmental character and that exists and operates within a loose constitutional framework that could be given a more specific content by reference to an existing basic law (i.e., the UN Charter); it could also be a normative presence in the form of incontestable positive international law that is embodied in a series of commitments to a world capable of meeting basic human needs (including individual and group dignity) and of sustaining the economic, geopolitical, and ecological basis of life on the planet for future generations.[50]

Providing a principled extension and entrenchment of existing international institutions would enable institutions like the UN to be wrested away from their statist operation.[51] Therefore global constitutionalism entails a strengthening of the rule of international law by entrenching the judicial resolution of interstate disputes and embedding transnational social movements into global governance.[52] While the aspirations of humane governance are sometimes embodied in law as it presently stands, Falk claims that such law can only be "exhumed, and made operative, by the militancy of civil society".[53]

The cosmopolitan nature of this emphasis on legality and institutionalisation, as well as the militancy of a global civil society, is further demonstrated through the importance of "world citizenship" that applies to all individuals across the world, thereby enabling them to be a

---

[47] Falk, *On Humane Governance*, p. 252 and chp 8 more generally.
[48] Falk, *Positive Prescriptions for the Near Future*, p. 7.
[49] Falk, *Positive Prescriptions for the Near Future*, p. 7. Italics in original.
[50] Falk, *Positive Prescriptions for the Near Future*, pp. 10-11.
[51] Falk, *Positive Prescriptions for the Near Future*, p. 11.
[52] Falk, *On Humane Governance*, p. 249. See also Richard Falk, "The World Order Between Inter-state Law and the Law of Humanity: the Role of Civil Society Institutions" in Daniele Archibugi and David Held (eds.), *Cosmopolitan Democracy* (Cambridge, Polity Press, 1995)
[53] Falk, "The World Order Between Inter-state Law and the Law of Humanity", p. 164.

legitimising source for global political authority.[54] The emphasis on the role and rights of the individual and the restriction of the role of the state would enable the global protection of human rights and extend the "commitment to achieve a more equitable international economic order, as well".[55] A concern for individuals everywhere would include a concern for redistributive institutions and policies that assist the most vulnerable. This is manifest in Falk's suggestion for the expanded provision of "global public goods", such as development assistance and environmental protection, that have been cut back within the context of neo-liberal stringency but are crucial for effective "coordination and governance" on a global scale.[56]

While global constitutionalism and world citizenship are crucial elements of humane governance, they are underpinned by the ideas of "cosmopolitan democracy", which seeks to build a global system of political representation and participation that connects individuals to the system of rule that focuses on their welfare and future.[57] The development of cosmopolitan democracy must stem from and build on the movement in the latter part of the twentieth century towards the spread of democracy across the world. Nonetheless, there must be the recognition that democracy at the level of the state can no longer be a "sufficient focus for those seeking to embody the values and practices of democratisation".[58] If democracy is to be achieved in an era where all forms of activity including economic activity extend across state boundaries, Falk claims that democracy has to be extended to a global level as well.[59] In the short-term this means that the UN must be overseen by a "UN monitor" as a step towards the democratisation of the UN – so as to wrest the UN from the grip of statist politics.[60] Once the processes of democratisation begin to operate at a global level there will be the gradual development of global opposition to the forces of market inspired globalisation.

Global democratisation is only conceivable with the lively agency of global civil society. While others have referred to the development "global civil society",[61] that is the development of

[54] Falk, *On Humane Governance*, p. 253. See also Falk, "The World Order Between Inter-state Law and the Law of Humanity"
[55] Falk, *Positive Prescriptions for the Near Future*, p. 9.
[56] Falk, "Resisting 'Globalisation-from-above' Through 'Globalisation-from-below'", p. 18.
[57] Falk, *On Humane Governance*, pp. 249 and 253-4.
[58] Falk, *On Humane Governance*,, p. 131.
[59] Falk, *On Humane Governance*, p. 104.
[60] Falk, *On Humane Governance*, p. 133.
[61] Falk, "The World Order Between Inter-state Law and the Law of Humanity", p. 164. See also Ronnie Lipschutz, "Reconstructing World Politics: The Emergence of Global Civil Society", *Millennium*, 1992, Vol. 21, No 3. Richard Devetak and Richard Higgott, "Justice Unbound? Globalization, States and the Transformation of

transnational organisations and associations that interact over various issues, Falk relies heavily upon global civil society as an ethical assembly to rest the constitutional structure of humane governance on. This is largely because of the institutional elements that he points to; this is the one that animates the others. While globalisation from above, in the form of global capitalism, represents a continued threat to progressive social ideas, it also provokes the resistance of globalisation from below.[62] Global civil society, as globalisation from below, develops transnational social movements and NGOs which can act as networks that are not only separate from states but seek to influence state and market actors.[63] Falk's vision of global civil society also builds new forms of global *consciousness* that expounds values connected to the long-term future of humanity that resist inhumane governance and economic globalisation.[64] This emerging global awareness plays a central role in shaping the shared aspirations and hopes that Falk bases his conception of humane governance upon.

A global consciousness is necessary for the formation of a global constitution and democratic decision-making and to replace the system of states. Human participation in this formation is central to the development of humane governance and as such Falk invokes the principle of world or global citizenship. In this sense world citizenship is not just a *status* that follows a structure of global constitutionalism, as noted before, but as the principle that is a *means* to the development of a global structure of governance.[65] A world citizen is a "'citizen pilgrim'" in that these citizens primarily function "temporally"; in contrast to state citizens who operate principally in a 'spatial' sense.[66] In addition, Falk claims that state citizenship is circumscribed and ceremonial – a form of "postmodern serfdom" – laying down the "challenge" to reconfigure citizenship at a global level in a way that forwards human rights and universal participation in the future of humanity.[67] Global citizenship accepts "some kind of image of political centralisation as indispensable to overcome the chaotic dangers of the degree of political fragmentation and economic disparity that currently exists" and as such supports a stronger UN or other world authority.[68] Consequently, Falk's support of world citizenship as a

---

the Social Bond" *International Affairs* 75, 3, 1999 and Michael Walzer (ed.), *Towards a Global Civil Society* (Oxford, Berghahn Books, 1995)

[62] Falk, *On Humane Governance* and "Resisting 'Globalisation-from-above" Through 'Globalisation-from-below'", p. 19

[63] Falk, "Resisting 'Globalisation-from-above" Through 'Globalisation-from-below'", p. 19 and *On Humane Governance*, pp. 205-6.

[64] Falk, "Resisting 'Globalisation-from-above" Through 'Globalisation-from-below'"

[65] Falk, *On Humane Governance*, p. 253.

[66] Richard Falk, "The Making of Global Citizenship" in Bart Van Steenbergen, *The Condition of Citizenship*, (Sage, London, 1994), p. 139.

[67] Falk, *On Humane Governance*, p. 253.

[68] Falk, "The Making of Global Citizenship", p. 132.

means to humane governance is more tied to a normative or aspirational stance that forwards a human wide association than an actual account of legal rights and obligations. Yet Falk is aware that if the idea of world citizenship is imposed on the current world order it looks like a "purely sentimental, and slightly absurd, notion".[69] Therefore Falk emphasises that world citizenship is a "political project" that rests

> upon a sense of solidarity, a feeling for equity and for nature, a strong impulse to achieve both local rootedness and planetary awareness, and an underlying conviction that the security and sanctity of the human community rests, in the end, on an ethos of non-violence.[70]

World citizenship is tied to global civil society and the "attitudes of necessity" embedded in transnational activism which seeks to avoid injustice and the unsustainablity of inhumane governance on a global scale.[71]

Humane governance stems from the increased awareness of global civil society, the gradual evolution of international law and international institutions, and the decline of the state as a legitimate decision-maker. These developments provide the prompt for the development of an alternative world order that addresses the welfare of those who are most vulnerable. Falk believes this normative shift will in turn develop a system of humane governance that will promote the rule of law and democracy, peace, ecological sustainability and a concern for human welfare. These elements create a global structure that embeds the state in a global constitutional structure. This structure is to be predicated upon "as much decentralism as possible, with as much centralism as necessary".[72] In effect this would mean that the institutional elements of humane governance come to decisively shape global decision-making and delimit the role of the state. Ultimately, humane governance entails a shift away from governance designed to support the interests of sovereign states and the "regulatory vacuum" maintained by neo-liberal interests at the "global level".[73]

The State Within Humane Governance

---

[69] Falk, "The Making of Global Citizenship", p. 139.
[70] Falk, "The Making of Global Citizenship", p. 140.
[71] Falk, "The Making of Global Citizenship", pp. 131-2.
[72] Falk, *On Humane Governance*, p. 36.
[73] Falk, "The World Order Between Inter-state Law and the Law of Humanity", p. 176.

The role of the state within the constitutional structure of humane governance is at best a provincial level of government within the gradual development of global federal system. Falk downplays the positive role that an inward state plays in developing humane governance. Aside from a brief passage where Falk realises that containing market driven globalisation "may require strengthening the sovereign state... and even accepting a rise in economic nationalism" he notes that the "effort might be self-destructive and short lived unless coordinated on a regional or transnational basis"[74]. Nevertheless, Falk realises that the "greatest challenge, at present, is to reconcile the territorial dimensions of citizenship with the temporal dimensions: acting in the present for the sake of the future, establishing zones of humane governance".[75] In *Humane Governance*, Falk steers away from advocating a state that fosters an inward looking community or patriotism in the process of developing a 'zone of humane governance'.

However, while Falk did aver that the utility of the state in shifting the world towards humane governance was effectively a deadletter, in his more recent work he emphasises that economic globalisation subverts the movement towards humane governance by weakening the role of citizens within the state.[76] He appears to consider that citizenship within the state may be useful in withstanding economic globalisation. Therefore, the challenge is to

> reconfigure the outmoded dichotomy between undifferentiated patriotism and cosmopolitanism. If this challenge is met, then the vitality of traditional patriotism can be restored, but only on the basis of extending ideas and practices of participation and accountability to transnational sites of struggle... then patriotism and cosmopolitanism will be able to share a common commitment to refashioning conditions for the humane state, the humane region, and, depending on the success of transnational social forces, a decent, inclusive globalism.[77]

It also seems that the need to rethink patriotism and state citizenship stems from a realisation that the force of global civil society is perhaps not as strong or committed to cosmopolitanism as humane governance requires.[78] The globalism of the market is trumping, for the time being, the ethical globalism of cosmopolitanism.

---

[74] Falk, *On Humane Governance*, pp. 34-5.
[75] Falk, "The Making of Global Citizenship", p. 253.
[76] Richard Falk, "The Decline of Citizenship in an Era of Globalisation", Draft Paper UNRISD, December 9-11 1996, p. 3. See also "Revisioning Cosmopolitanism" and "State of Siege"
[77] Falk, "Revisioning Cosmopolitanism", p. 60.
[78] Falk, "Revisioning Cosmopolitanism", pp. 56-7.

Consequently, while Falk continues to see the state as being compromised by economic globalisation and arguing that if humane politics is to be created it must be developed at a global level, he sees patriotism to the state as having some virtue. Indeed, the possibility of their being a 'common commitment' between patriotism and cosmopolitanism is a potent prospect. Even so, ultimately as we will see in next chapter, this requires a restoration of the public virtues within the state just as much as the development of a worldwide cosmopolitan awareness.

This deliberation does not diminish Falk's advocacy of a global constitution that embeds transnational democracy and the global framing of institutions that are both accountable to people and promote the wellbeing of all people. In Falk's conception of humane governance it is the *aspiration* of humanity and a global imagined community that directly shapes the institutions needed to enact this vision and enmesh the state. The normative ideal that informs this governance is directly aimed at policies and institutions that promote the welfare of human beings everywhere in the face of the divisive and harmful effects of economic globalisation. While cosmopolitan governance can stem from a global imagined humanity and the resistance of those opposed to market driven globalisation as Falk suggests, cosmopolitan governance can also stem from a rethinking of the foundations of democracy and the rule of law. The pre-eminent example of this type of cosmopolitanism is found in David Held's model of cosmopolitan democracy.

David Held

Held's argument for the genesis of cosmopolitan democracy springs from an historical understanding of democracy and the increasing impact of globalisation. The political congruence between people, territory and polity assumed in democratic theory stemmed from the accountability that citizens have of the lawmakers as well as the lawmakers having policies that only affect those citizens - 'the people' - in a delimited area.[79] The modern state represents the organised manner in which democracy was conducted within "demarcated territorial area".[80] According to Held, the modern state has operated within the context of two models of democracy. The first is the "Westphalian model" in which democracy was contained within sovereign states with law making an internal process.[81] The second is the

[79] David Held, *Democracy and the Global Order* (Cambridge, Polity Press, 1995), p. 16.
[80] Held, *Democracy and the Global Order*, p. 50.
[81] Held, *Democracy and the Global Order*, pp. 77-9.

"UN charter model", in which democracy was also contained within sovereign states, but formal and informal institutions between states enabled both the coexistence and cooperation of states.[82] However, increasing transborder connections that stem from globalisation and regionalisation directly challenge the assumption of contained democracy as well as the UN model of democracy.

Globalisation is defined by processes that Held believes pose the need to rethink democratic theory and practice. Globalisation refers to

> a shift in the spatial form of human organisation and activity to transcontinental or interregional patterns of activity, interaction and the exercise of power. It involves a stretching and deepening of social relations and institutions across space and time, such that, on one hand, day-to-day activities are increasingly influenced by events happening on the other side of the globe and, on the other, the practices and decisions of local groups or communities can have significant global reverberations.[83]

This "stretching and deepening" of connections includes, but is not limited to, globalised capitalism, which points to the spatial emphasis of the transformationalist conception of globalisation.[84] Globalisation is evident in the "chains of interlocking political decisions and outcomes" as well as the reshaped identities of people.[85] Thus globalisation creates a series of "disjunctures" that cut across the democratic state and "indicate the different ways in which globalisation can be said to constitute constraints or limits on political agency in a number of key domains; and to what extent the possibility of a democratic polity has been transformed and altered".[86] These disjunctures include international law, the internationalisation of political decision making, international security structures, the globalisation of culture and the world economy.[87]

The world economy is a major source of disjuncture for democracy because "there is a clear disjuncture between the formal authority of the state and the spatial reach of contemporary systems of production, distribution and exchange which often function to limit the

---

[82] Held, *Democracy and the Global Order*, pp. 85-7.
[83] Held, "Democracy and Globalization", p. 13.
[84] Held, *Democracy and the Global Order*, pp. 20-1. See also David Held, et al, *Global Transformations* (Cambridge, Polity Press, 1999)
[85] Held, *Democracy and the Global Order*, p. 136.
[86] Held, *Democracy and the Global Order*, p. 99.
[87] Held, *Democracy and the Global Order*, chp 5 and 6.

competence and effectiveness of national political authorities".[88] The increasing interdependence between states has become a central feature of world politics and the increasing "levels of interaction" of economic life have become a part of everyday life.[89] While Held does not emphasise the ways in which political authorities have consciously authored and advocated these policies, it is certainly true that globalisation has changed the "costs and benefits" of economic policy,[90] and indeed has made "'bucking' international trends" more difficult.[91] Likewise the "vast array of international regimes and organizations" has led to the globalisation of policy-making,[92] such that the state becomes only one actor amongst networks of private and public organisations.[93] While the EU represents an advanced form of multi-level governance because it is a situation where sovereignty is "clearly divided", states enmeshed in organisations such as the IMF or World Bank also have their sovereignty conditioned.[94] Whether due to economic flows or to the influence and authority of international organisations, the policy autonomy of the state has been restricted. A crucial consequence of a globalised economy is the weakened capacity of the state to regulate economic affairs, given that the state is less able to affect economic activity that routinely crosses its jurisdiction.

According to Held these disjunctures clearly limit the freedom of governments to act in the manner they desire and ultimately severs the congruence between democratic governors and their respective public, as well as undermining the public legitimacy of particular states.[95] Not only do these disjunctures decrease the control that states are able to exercise over their territory, but also increases the probability of states affecting people beyond its territory. Importantly, Held maintains that democracy must come to terms with

> these developments and their implications for national and international power centres. If it fails to do so, it is likely to become ever less effective in determining the shape and limits of political activity. Accordingly, the international form and structure of politics and civil society has to be built into the foundations of democratic thought and practice.[96]

---

[88] Held, *Democracy and the Global Order*, p. 127. See also David Goldblatt, et al, "Economic Globalisation and the Nation-State: Shifting Balances of Power", *Alternatives*, 22, 1997.
[89] Held, *Democracy and the Global Order*, p. 13.
[90] Held, *Democracy and the Global Order*, p. 18.
[91] Held, *Democracy and the Global Order*, p. 131.
[92] Held, *Democracy and the Global Order*, p. 107.
[93] Held, et al, *Global Transformations*, pp. 62-70
[94] Held, *Democracy and the Global Order*, pp. 112 and 109-111.
[95] Held, *Democracy and the Global Order*, pp. 135-6.
[96] Held, *Democracy and the Global Order*, p. 136.

Consequently, Held maintains that the future of democracy is with a "cosmopolitan model of democracy" that provides a global resolution of the disjunctures to democracy.[97] Although he places emphasis on the rise of unrepresentative forms of authority as a challenge to state sovereignty and authority, his concerns do not end there. Held is also concerned with the effect of social inequality and other social problems on the nature of political participation.[98] His model of cosmopolitan democracy does more than just extend democracy beyond borders. He also rethinks the essential elements needed for individuals to participate in democratic activity.[99] Before detailing cosmopolitan democracy a brief outline of Held's democratic theory is needed to fully flesh out his response to the contemporary effects of economic globalisation.

The pivotal aspect of Held's democratic theory is the "principle of autonomy" that connects the idea of liberty to a political community where people are be able to choose and legitimate the condition of their political association.[100] The principle of autonomy states that

> persons should enjoy equal rights and accordingly, equal obligations in the specification of the political framework which generates and limits the opportunities available to them; that is, they should be free and equal in the determination of the conditions of their own lives, so long as they do not deploy this framework to negate the rights of others.[101]

Held's democratic theory clearly promotes a liberal – but non-libertarian – aspiration of the liberty of the individual.[102] This is achieved by way of processes that promote the protection of the individual from coercive political authority, the consent of citizens in upholding laws of the polity, as well as the development of individual capacities and the expansion of economic opportunity.[103] When these outcomes are not produced a condition of "nautonomy" exists. Held's idea of

> nautonomy refers to *the asymmetrical production and distribution of life chances which limit and erode the possibilities of political participation.* By life chances I mean the chances a person has of sharing in the

[97] Held, *Democracy and the Global Order*, p. 140.
[98] Held, *Democracy and the Global Order*, pp. 167-172.
[99] Held, *Democracy and the Global Order*, pp. 143-5.
[100] Held, *Democracy and the Global Order*, p. 145.
[101] Held, *Democracy and the Global Order*, p. 147.
[102] Held, *Democracy and the Global Order*, pp. 147-8 and 240 (chp 11 more generally).
[103] Held, *Democracy and the Global Order*, p. 150.

socially generated economic, cultural or political goods, rewards and opportunities typically found in his or her community.[104]

Disadvantage or unequal access to resources in many areas of life could lead to the condition of nautonomy. Nautonomical outcomes frustrate the ability of democracy to operate and thus require an extensive political framework to entrench the principle of autonomy.

Such a political framework is provided by "democratic public law" which is the law where "the principle of autonomy" is "entrenched as both a foundation and a constraint" upon political life.[105] By embedding the principle of autonomy into law this creates a "common structure of political action" for all.[106] According to Held "autonomy is, in short, structured through power".[107] Democratic public law is enacted in the form of the democratic legal state which "would set down an axial principle of public policy - a principle that stipulated the basis of self determination and equal justice for all and, accordingly, created a guiding framework to shape and delimit public policy".[108] In order to participate, citizens require a set of rights that address any disadvantage or inequality that may affect their ability to participate and thereby affect the structural principle of autonomy. As such, if democracy is to be pursued, redistribution must exist to avoid nautonomy and make democracy work.[109]

So long as *power is located in the state*, is it possible that democratic public law could effectively support *democracy within the state*? Held maintains that due to the disjunctures that frustrate the congruence between a public and the state, that the state is not a viable location to enable democratic public law and thereby enable individual autonomy. Rather, in the context of globalisation, the only way to overcome these disjunctures is to include everyone in decisions that affect them and thereby make the apposite site for democracy a *global* one This leads to cosmopolitan democracy and the comprehensive and global extension of the principle of autonomy.

Cosmopolitan Democracy

[104] Held, *Democracy and the Global Order*, p. 171.
[105] Held, *Democracy and the Global Order*, p. 155.
[106] Held, *Democracy and the Global Order*, p. 190.
[107] Held, *Democracy and the Global Order*, p. 185.
[108] David Held, "Sites of Power, Problems of Democracy", *Alternatives*, 19, 1994, p. 234.
[109] Held, *Democracy and the Global Order*, p. 217.

In order to create a 'common structure of action' that upholds the principle of autonomy, democratic public law must encompass both the decision-makers and the public. Now that the state bound congruence of decision-makers and the public has been broken by decisions and activities occurring at a global level that affect people across the world, democratic law must work to that extent as well. Cosmopolitan democracy is Held's model of governance that supports the principle of autonomy and democratic law at a global level by developing a democratic public law that is "entrenched within and across borders".[110]

The cosmopolitanism of Held derives from Immanuel Kant.[111] While following and agreeing with Kant that war is a major threat to autonomy and hence requires an international union to entrench peace between states, Held believes that war is not the only threat to autonomy.[112] Held supports Kant's principle of hospitality, which affirms that foreigners should be tolerated and not "treated as an enemy upon his arrival in another's country" because "a transgression of rights in one place in the world is felt everywhere".[113] However, Held dramatically extends such principles beyond just conduct towards foreigners to include a fundamental respect for autonomy. In practice

> universal hospitality must involve, at the minimum, both the enjoyment of autonomy and respect for the necessary constraints on autonomy. That is to say, it must comprise mutual acknowledgments of, and respect for, the equal rights of others to pursue their own projects and life-plans. Moreover, in a highly interconnected world, 'others' include not just those found in the immediate community, but all those whose fates are interlocked in networks of economic, political and environmental interaction.[114]

For universal hospitality to exist cosmopolitan democratic public law is required. This entails the development that Kant sketched in the eighteenth century of a federation of states under "*ius cosmopoliticum*" (cosmopolitan law).[115] According to Held this union or federation of states falls short of a world state and is treaty based, requiring the active consent of people and

---

[110] Held, *Democracy and the Global Order*, p. 227.
[111] Held, *Democracy and the Global Order*, pp. 226-231.
[112] Held, *Democracy and the Global Order*, pp. 226-7.
[113] Kant, *Perpetual Peace and Other Essays*, pp. 118-9.
[114] Held, *Democracy and the Global Order*, p. 228.
[115] Kant, *Perpetual Peace and Other Essays*, p. 112. Italics in original. Kant's core idea focuses on an expanding "league of peace ... It can be shown that his idea of federalism should eventually include all nations and thus lead to perpetual peace. For if good fortune should dispose matters that a powerful and enlightened people should form a republic (which by its nature must be inclined to seek perpetual peace), it will provide a focal point for a federal association among other nations that will join it in order to guarantee a state of peace among nations that is in accord with the idea of the right of nations, and through several associations of this sort such a federation can extend further and further" (p. 117).

states, but once joined there is a clear duty to uphold the federation and the law because the union ceases to be voluntary.[116]

Cosmopolitan democracy operates as a system of governance that has a core set of principles and legal rules that operate as a globally integrated framework that infuses all levels of governance. As a basis of authority, cosmopolitan democracy operates as

> a system of diverse and overlapping power centres, shaped and delimited by democratic law. In this context, secession could take on a new meaning – the break-up of old political entities within a common framework of politics, that is, the reshaping of traditional political communities, on the one hand, while, on the other establishing the possibility of new communities within the framework of a transnational structure of democratic action.[117]

Thus the system of states is not the only system of governance operating within cosmopolitan democracy. City-states, communities, and even functional organisations such as TNC's will be subject to cosmopolitan democratic law.[118] This also raises the distinct need for clear rules to determine what sorts of issues are dealt with at which level of governance so as to avoid governance being "sucked" upwards.[119] Held's response to this question is to establish a "Boundary Court" that determines public issues on the basis of the number of people affected, the intensity of effect of the issue on people and the "comparative efficiency" of why lower levels of governance cannot deal with the issue.[120]

Cosmopolitan democracy's determination of a global common structure of action develops a comprehensive system of authority that signifies a radical departure from both the Westphalian and the UN models of democratic governance. Held's image of cosmopolitan democracy provides an entrenchment of democratic public law that informs and shapes the composition of state citizenship, state constitutions and systems of decision making at all levels.[121] While cosmopolitan democracy will consist of individuals, organisation and groups all "pursuing their own projects", Held remarks that "these projects must also be subject to the constraints of democratic processes and a common structure of political action".[122] This expansion of the institutional and legal elements of democratic rule represents a

[116] Held, *Democracy and the Global Order*, p. 231.
[117] Held, *Democracy and the Global Order*, pp. 234-5.
[118] Held, *Democracy and the Global Order*, pp. 234-5.
[119] Held, *Democracy and the Global Order*, p. 235.
[120] Held, *Democracy and the Global Order*, pp. 279 and 236.
[121] Held, *Democracy and the Global Order*, p. 233.
[122] Held, *Democracy and the Global Order*, p. 278.

transformation in both the infrastructure of political life and the intent within the programs required to promote autonomy. The political infrastructure includes the eventual establishment of a global parliament and executive; a boundary court that rules on disputes as to what level of governance is applicable to particular public issues; a more general global legal and court system; an increased accountability of transnational bodies and states; as well as the public funding of electoral processes and referenda.[123] At a social level the long-term emphasis would be on programs that develop a diverse civil society, the development of investment priorities being determined partially through public deliberation and the provision of a guaranteed basic income.[124] These political and social developments are critical if the processes of deliberation and the principle of autonomy are to be fulfilled in the long-term.

Given that democratic public law cannot be effectively upheld by the state, the role of the state within cosmopolitan democracy is both a limited and declining one. The role is a limited one because cosmopolitan democracy rests on "'splitting the state'" and carrying out the functions of the state at different levels, some global and some local, with some functions remaining with the state.[125] The cosmopolitan law embedded in each state's constitution, as well as the global constitution, limits state activity, and the activity of other organisations or individuals. While Held claims that "cosmopolitan democracy would not call for a diminution *per se* of state power"[126] – it does signal a *considerable* departure from a world where democracy and legitimacy is contained *within* states. By his own reasoning states would "'wither away'", by which Held means, "that states would no longer be, and no longer be regarded as, the sole centres of legitimate power within their own borders".[127] While states are not the sole power within their borders in many cases already, as Held indicates, within cosmopolitan democracy they would also have to adjust their laws and practices in alignment with cosmopolitan democratic law.[128] Within this legal framework the state would be "'relocated' within and articulated with, an overarching global democratic law".[129] Ultimately, this 'relocation' is in effect a *complete* re-contextualisation of the state that removes popular sovereignty and places decision-making capabilities with the limits prescribed by democratic public law.

---

[123] Held, *Democracy and the Global Order*, p. 279.
[124] Held, *Democracy and the Global Order*, p. 280.
[125] Held, *Democracy and the Global Order*, p. 234.
[126] Held, "Democracy and Globalization", p. 24.
[127] Held, *Democracy and the Global Order*, p. 233.
[128] Held, *Democracy and the Global Order*, p. 233
[129] Held, *Democracy and the Global Order*, p. 233.

Held's conception of democratic public law entails a common legal structure that is entrenched across and within a range of "diverse political communities" and "multiple citizenships".[130] Held's notion differs from Falk's in that there is little emphasis on a common normative project and no form of association binds people within the diversity inherent within a cosmopolitan democracy other than the common restraint of a respect for the democratic public law.[131] Held's prescription does not rely upon an imagined community or common set of values other than acknowledgement of democratic public law.[132] The protections, entitlements and avenues of participation associated with democratic public law are irrespective of citizenship and are upheld within and across all states. Democratic public law will operate through state citizenship, extending through world politics to include other institutions and levels of governance within a "binding framework".[133]

The purpose of this framework is to promote the autonomy of people everywhere. Held is aware that democratic public law on a global scale is no easy or short-term task. As a part of the promotion of the autonomy and welfare of all people, Held indicates there are some short-term policies of cosmopolitan democracy. These policies encompass reforming the UN Security Council, creating a second - democratically elected - UN chamber, extending regional groupings such as the EU, extending international courts, developing new coordinating agencies for economic management, and the development of an international force for peacekeeping operations.[134] In terms of social goals, Held advocates ideas that point towards the democratisation of economic activity. These include the extension of non-market solutions for the organisation of society, publicly determined private ownership limits for "key 'public shaping' institutions" such as the media, and the provision of resources to the most vulnerable to defend their interests.[135] While these reforms are not easy to develop, they will set the scene for reaching the institutional context necessary for the development and reproduction of cosmopolitan democracy in the long-term.

---

[130] Held, *Democracy and the Global Order*, p. 233.
[131] Held, *Democracy and the Global Order*, p. 278.
[132] Held notes that "a cosmopolitan democratic community does not require political and cultural integration in the form of a consensus on a wide range of beliefs, values and norms". Held, *Democracy and the Global Order*, p. 282.
[133] Held, *Democracy and the Global Order*, p. 233.
[134] Held, *Democracy and the Global Order*, p. 279.
[135] Held, *Democracy and the Global Order*, p. 280.

The development of cosmopolitan democracy departs significantly from the idea of deregulated capitalism. The goal of "democratic autonomy and public deliberation" ultimately requires "bringing the economy into the 'sphere of democracy'".[136] As Held contends;

> If democracy is to prevail, the key groups and associations of the economy will have to be rearticulated with political institutions so that they become part of the democratic process – adopting, within their very *modus operandi*, a structure of rules, principles and practices compatible with democracy. The corporate capitalist system requires constraint and regulation to compensate for the biases generated by the pursuit of the 'private good'.[137]

Held points to the necessity for "the introduction of new clauses into the ground rules or basic laws of the free-market and trade system" in order to be able to constitute a "common structure of political action in economic affairs".[138] Because these economic processes operate globally, legislation that enacts this common structure would have to be global and therefore embedded within "the principles and objectives of cosmopolitan democratic law".[139] While these regulatory reforms will be difficult to develop they are crucial to the redistribution that is needed to enable autonomy in the sense of "economic independence" through the provision of a "basic income",[140] as well as addressing "the most pressing cases of avoidable economic suffering and harm".[141] These regulatory efforts also point towards a path that constrains markets from determining political outcomes and in turn provide a form of governance that offers better social opportunities than those proffered by contemporary globalisation and neo-liberalism.

Held's model of cosmopolitan democracy represents an articulation of democracy in an era of globalisation that seeks to ultimately achieve comprehensive representation and equality. Inequality is seen not just as a social problem associated with the rise of economic globalisation but more broadly as a problem that limits political participation. Globalisation stretches decision-making processes to a global level thereby disenfranchising representation within purely state level democracy. Upholding liberal democracy entails upholding democratic public law across s[illegible] polities. This is achieved by an extensive legal

[136] Held, *Democracy and the Global* [illegible]
[137] Held, *Democracy and the Global Or*[illegible]
[138] Held, *Democracy and the Global Order*, pp. [illegible]
[139] Held, *Democracy and the Global Order*, p. 255.
[140] Held, *Democracy and the Global Order*, p. 252.
[141] Held, *Democracy and the Global Order*, p. 256.

system that is entrenched within all levels of governance anchored by global courts and constitutional principles.

The Elements of Cosmopolitan Governance

The arguments of Richard Falk and David Held present key features of a liberal cosmopolitan approach to governance within contemporary globalisation. In *institutionalising* cosmopolitanism, they entrench universal rules that regulate social and economic relations in order to promote democracy and the welfare of all humanity, thereby transcending the adverse effects of contemporary globalisation. While there are some differences between the two writers, there are also key points of convergence and overlap. I contend that there are five moral and political principles that characterise the institutionalisation of liberal cosmopolitanism.

The first principle of cosmopolitan governance is *the extension of a comprehensive system of law to a global level*. In the short-term this means the continued expansion of a universal code of human rights via international law. In the long-term this entails a global constitution, a global parliament and a global executive. Particular attention has to be paid to boundary issue resolution, as Held emphasises, in order to determine what level of governance is responsible for which issues. The resolution of issues will be conducted on the basis of the global constitution and boundary courts.

The second key principle of cosmopolitan governance is *the extension of democracy across and within the state*. Global democratisation includes not just the extension of democracy to parts of the world where there are non-democratic states but extending democratic principles to the operation of international institutions. This also demands the creation of new fora as well as reforming institutions such as the UN to reflect democratically determined laws and decisions at a global level.

The third key principle of cosmopolitan governance is that the subject of these global democratic and legal structures is the individual via *the development of a set of individual rights and entitlements defendable at a global level*. Cosmopolitan governance creates limits as to how states and other organisations can treat individuals. The routes of legal recourse extend to a global level and while interpretations of state citizenship will vary across the face of the world, they

can only do so within limits determined by a global constitution and the notion of a commitment to humanity.

The fourth principle of cosmopolitan governance necessarily stems from the first three: a *profound restriction on the authority of the state.* Within the context of cosmopolitan governance, the role of the state is determined not by the will of its citizens but by the limits laid down by global legal system and the laws that have stemmed from that system. While Falk and Held differ on the degree to which the global law will influence state decision-making and public policy, with Held forwarding a dramatic shaping of public policy in line with democratic public law, it is clear that the global law will significantly limit the autonomy of the state. Once part of the global legal system, compliance could not thereafter be voluntary.

The fifth principle of cosmopolitan governance is *the extension of democracy to include a publicly determined regulation of economic life.* While there is no suggestion to replace capitalism, deregulated capitalism is not compatible with the goal of public participation and democratic autonomy. As such Falk's emphasis on the welfare of humanity and Held's objective of a 'common structure of political action in economic affairs' both point to the rules of economic life being determined both globally and democratically.

The ambitious program of cosmopolitan governance seeks to provide a global democratic framework that avoids the social effects engendered by economic globalisation and thereby promotes the welfare of all humans. This is a morally compelling position that seeks a universal and comprehensive framework for all individuals despite the cultural diversity that exists in the world and the fundamental unevenness in social opportunities across the world. Unlike the ideas of extended neo-liberalism and contractual nationalism, cosmopolitan governance is an articulation of liberalism that stretches beyond supporting the global extension of markets or the promotion of the interests of prosperous states. It seeks to establish a universal political framework that addresses the fundamental deficiencies in equality and representation of the poor across the world as well as being concerned about the long-term future of all humanity. Cosmopolitan governance entails creating a democratic and constitutional counter balance to the global organisation of capitalism in order to address the inequality, insecurity and unsustainability of market driven globalisation.

Despite the compelling nature of this rationale, I contend that there are clear practical problems with the account of cosmopolitan governance. The claim that contemporary globalisation provides suitable grounds to formulate cosmopolitan governance, as Falk and Held argue, does not automatically mean that cosmopolitan governance is a viable alternative to neo-liberal governance. The remainder of this chapter addresses two practical problems that cosmopolitan governance has in attempting to address the adverse social effects of economic globalisation. The first is that the world order of economic globalisation and neo-liberal governance provides resistance to practices of cosmopolitan governance at the same time as it accepts principles of a more passive 'moral' cosmopolitanism. The resistance that capital and neo-liberal governance would have to a global democracy that places democratic limits on capital would be extensive and this would, in all probability, weaken and compromise the already long-term nature of the cosmopolitan project. The second problem of cosmopolitan governance relates to the weak social foundations that it would be built on as well as the weak basis for redistribution that the cosmopolitan mindset provides. In isolation these two problems are damaging to the cosmopolitan project, but taken together they pose a serious obstacle to cosmopolitan governance being able to address the adverse effects of economic globalisation or indeed governing effectively in a globalising context.

Nevertheless, it must be clear that I am not claiming that cosmopolitan governance is not desirable in an ethical sense or indeed could never be possible as a global political structure in the future. Rather, I am claiming that economic globalisation and the practices of neo-liberal governance that currently hold sway, provide serious impediments to cosmopolitan governance being able to address the formidable social effects intrinsic to economic globalisation. While cosmopolitan governance may be possible in the future, the claim here is that at present it is not a viable political alternative to the prevailing social forces supportive of economic globalisation.

Economic Globalisation and Cosmopolitan Governance

Both Falk and Held contend, in differing ways, that globalisation provides the conditions by which cosmopolitan governance can come into being. Falk emphasises the growing global consciousness evident in the proliferation of various social movements resisting inhumane governance, while Held points to the presence of disjunctures that undermine democracy within the nation-state. However, despite these important observations, it is my contention that there are other features of contemporary globalisation that work against the direction of

opening up alternatives to economic globalisation. In essence the debates regarding globalisation that I briefly examined in Chapter 1 have an extremely important significance when it comes to proffering alternatives to contemporary globalisation. If globalisation is primarily a spatial process, as the transformationalist account of globalisation and Held argue,[142] then cosmopolitan governance looks like a viable panacea. However, if contemporary globalisation is also significantly contextualised by the ideas and forms of power that buttress this type of globalisation, as I argued in Chapter 2 with reference to neo-liberalism and the social forces that support transnational capitalism, then cosmopolitan governance is placed in an entirely different light.

Consequently, a more politically fine-grained perspective on globalisation emphasises the material, institutional and ideational factors that shape the world order of contemporary globalisation. Such a critical approach indicates the considerable weight that neo-liberal practices such as deregulation and liberalisation, as well as the forms of competitiveness that shape the operation of the informational global economy, all have in shaping contemporary globalisation. Moreover, contemporary globalisation is ultimately underpinned by neo-liberal governance, or a "new normativity" as Sakia Sassen puts it,[143] that represents a departure from earlier moral underpinnings of world economic activity. Not only does this normative shift explain important institutional and ideational elements of contemporary globalisation, it also explains in a large part the inequality and insecurity that stems from this type of globalisation. Understanding contemporary globalisation as being a world order of economic globalisations poses proponents of cosmopolitan governance with a series of challenges.

These challenges are evident in the ways economic globalisation *aids* some forms of cosmopolitanism just as much as it resists cosmopolitan governance. It is crucial to stress that the difference between cosmopolitanism and cosmopolitan *governance* is substantial. It is not just that "cosmopolitanism about ethics does not necessarily imply cosmopolitanism about institutions",[144] but cosmopolitanism regarding ethics does not necessarily imply ethics that empower people through the development of rights and correlative duties. In its weakest sense cosmopolitanism means shying away from special consideration of nationalism or

---

[142] Indeed, in a recent interview Held has emphasised that "globalization is fundamentally a spatial phenomenon" Montserrat Guibernau, "Globalization, Cosmopolitanism and Democracy: an Interview with David Held"<http://www.polity.co.uk/global/held.htm> (Accessed on the 20th of March 2002), p. 1.
[143] Saskia Sassen, "The State and the New Geography of Power" The London School of Economics, <http://www.lse.ac.uk/events/25_1_00sassen.htm> (Accessed on the 18th of October 2000), p. 2.
[144] Beitz, "International Liberalism and Distributive Justice", p. 287.

patriotism in determining questions of what is right or good. It can represent a principled rejection of a dominant allegiance to local political community in favour of a universal moral code[145] but can also justify unprincipled detachment from involvement and real responsibility in *any* community.[146] Thus we can identify three distinct species of cosmopolitanism: cosmopolitanism as an unattached and unprincipled attitude; cosmopolitanism as a universal ethical standard; and cosmopolitanism as a framework that should be institutionalised - cosmopolitan governance. It is my contention that economic globalisation largely accepts the first two senses of cosmopolitanism but resists cosmopolitan governance.

In the era of global capitalism, a cosmopolitan attitude, in the first unprincipled and detached sense, can be said to exist among sectors of the elite and the wealthy.[147] This does not necessarily mean that such elites deny that comprehensive principles exist. Rather that there is little acceptance that there should be a wide-ranging attempt to *institutionalise* rights and duties at a global level. By contrast, cosmopolitan governance entails a common system of governance, including a common frame of rights and obligations that authorises an overarching conception of legality and liberty. The globally binding nature of cosmopolitan governance would filter through all levels of governance and social life across the globe and bind the poorest pauper and the wealthiest capitalist into essentially the same democratic system. Transnational capital is cosmopolitan in the sense of being detached from any locality but would eschew any democratic regulation of capitalism or global responsibility that pins down *everyone* to a common set of rights and standards for humane treatment of which actual treatment below these standards is illegal and punishable. The primary reason for this is that such cosmopolitan regulation would confound the differentials between locales that are essential for capitalism to exploit, in addition to being the reason that many corporations embrace economic globalisation. Cosmopolitanism in a passive and unattached ethical sense is consistent with individual choice and deregulated capitalism. The ideal of cosmopolitan governance and the global regulation of capitalism is another matter entirely.

---

[145] Beitz, "International Liberalism and Distributive Justice", p. 287. See also Donnelly, "Human Rights: a New Standard of Civilisation?"

[146] Benjamin Barber, "Constitutional Faith" in Martha Nussbaum, (ed.), *For Love of Country* (Boston, Beacon Press, 1996), p. 30.

[147] Manuel Castells, *The Rise of the Network Society, Vol I of The Information Age: Economy, Society and Culture* (Oxford, Blackwell, 1996), pp. 415-6. See also Christopher Lasch, *The Revolt of the Elites and the Betrayal of Democracy* (New York, W.W. Norton & Company, 1995), pp. 46-7, David Korten, *When Corporations Rule the World* (London, Earthscan, 1995), chp 7 and Robert Reich, *The Work of Nations* (London, Simon and Schuster, 1991), pp. 309-10.

It is also important to see that cosmopolitanism in the second stronger ethical sense, which still falls short of cosmopolitan governance, has been influential in the prevailing form of global governance.[148] However, while there are clearly processes of normative innovation afoot in global governance in response to globalisation, the innovations and programs initiated by the UN and regional organisations have not included the extension of democracy across states in anywhere except the European Union. As such, developments associated with human rights law, environmental regulation and development assistance can be seen to constitute an innovation of liberal internationalism infused with cosmopolitan values, but not cosmopolitan governance. In addition, the extension of global governance has done little to moderate the adverse effects of economic globalisation and in effect, via the rise of neo-liberal governance, has done much to support the framework and the processes of economic globalisation. While contemporary globalisation may be seen as a prompt for global democracy or a humane intent within global civil society, the world order that constitutes economic globalisation may actually impede and frustrate the realisation of cosmopolitan governance.

Consequently, neo-liberalism can be seen to embrace cosmopolitanism in some senses but reject and resist the development of cosmopolitan governance; especially of the kind that would involve global regulation or redistribution.[149] To use Falk's terminology, it is unlikely that the purveyors of globalisation from above want to share the global stage with the advocates of globalisation from below within the channels of global civil society, not to mention a global democratic structure.[150] In fact neo-liberal governance, and the anti-democratic practice of new constitutionalism, actively wards off social movements that operate to challenge economic globalisation at a local or transnational level.[151] This has been clear in regards to the demonstrations against the WTO in Seattle in 1999, the G8 in Genoa two years later and numerous other high-level meetings of policy-makers within the global economic architecture. The agents of globalisation from below have had few opportunities to contribute their alternatives to global governance at the negotiating table. Precisely because there is little or no constructive role for alternative social movements within in formal institutions of the global economic architecture, and a broad disregard of their ideas by the policy-makers within these institutions, the impact of social movement reform on neo-liberal

---

[148] Jan Aart Scholte, *Globalisation, a critical introduction* (Basingstoke, Palgrave, 2000), p.179-80 and Held, et al, *Global Transformations*, pp. 70-4.
[149] Beitz, "International Liberalism and Distributive Justice", p. 292.
[150] See Leslie Sklair, "Social Movements for Global Capitalism: The Transnational Capitalist Class in Action" *Review of International Political Economy*, 4:3 Autumn, 1997.
[151] Falk, "Resisting 'Globalisation-from-above" Through 'Globalisation-from-below'", p. 19.

governance has been purely at the "fringes" of policy and has ultimately produced only "marginal reforms".[152] It is important to emphasise that the impact of these social movements *has* changed and complicated policy-making, as well as removing any perception that states are the only actors that represent the "public interest".[153] Nevertheless, "while signalling an alteration to the method of governance, it is less clear that there is a change either in the content of governing policies or in the broad interests they represent".[154] This is even despite the 'victories' of the anti-globalisation movement in respect to the MAI and to a certain degree, the Seattle WTO meeting.[155] Additionally, it is debateable if the variegation of groups involved in the various protests, while a source of the strength for the resistance mounted by the anti-globalisation movement, would be such a strength in the development of an alternative to economic globalisation,[156] much less a cosmopolitan alternative.

In short, neo-liberal governance is a technocratic system that is actively opposed to the ethical trajectory of cosmopolitan governance. This is not to say that global social movements and NGOs are not important to global politics; clearly they are. Social movements have played central roles in dismantling Apartheid in South Africa, facilitating the International Criminal Court, and acting upon various human rights and environmental issues.[157] Nevertheless, it is important to be aware of the limits of these movements in respect to economic globalisation and the powerful states and social forces – social movements *for* global capitalism – entrenching this world order.[158] The marginalisation of those wishing to reform globalisation is also evident within the clearly delimited role that the UN has in respect to economic issues compared with the WTO, IMF and World Bank. In addition, while there has been a shift in rhetoric within the organisations that frame economic globalisation, with organisations such as

---

[152] Jan Aart Scholte, "Cautionary Reflections on Seattle" *Millennium*, Vol. 29 No. 1, 2000, p. 117.
[153] Robert Obrien et al., *Contesting Global Governance* (Cambridge, Cambridge University Press, 2000), p. 206.
[154] Obrien et al., *Contesting Global Governance*, p. 206.
[155] Stephen Kobrin, "The MAI and the Clash of Globalisations" *Foreign Policy*, N 112, Fall 1998 and Jan Aart Scholte, "Cautionary Reflections on Seattle"
[156] Scholte, "Cautionary Reflections on Seattle", p. 120.
[157] Kenneth Rodman, "Think Globally, Punish Locally: Non-State Actors, Multinational Corporations and Human Rights Sanctions" *Ethics and International Affairs*, Vol. 12, 1998 and Fanny Bennedetti and John Washburn, "Drafting the International Criminal Court Treaty: Two Years to Rome and an Afterword on the Rome Diplomatic Conference" *Global Governance*, Vol. 5, No. 1, 1999. More generally Margaret Keck and Kathryn Sikkink, *Activists Beyond Borders: Advocacy Networks in International Politics* (Ithaca, Cornell University Press, 1998) and Obrien, et al., *Contesting Global Governance*
[158] Sklair, "Social Movements for Global Capitalism". See also Stephen Gill, "Toward a Postmodern Prince? The Battle in Seattle as a Moment in the New Politics of Globalisation" *Millennium*, Vol. 29 No. 1, 2000, p. 139.

the IMF emphasising the poverty alleviation, the free market is still seen as the crucial mechanism of addressing this issue.[159]

In addition to dominating the global economic architecture, neo-liberal ideas and norms have infused into many states. While the line between foreign and international is being blurred as proponents of the transformationalist account of globalisation argue,[160] the state is still a site of significant institutional power and popular legitimacy. The nation-state under the aegis of the practice of the competition state both supports the persistence of the nation-state as well as the entrenchment of the institutional and ideational networks of neo-liberal governance and the extension of economic globalisation. As I suggested in Chapter 3, there are problems with the ways in which the competition state, in advanced capitalist societies at least, maintains public legitimacy and a sense of national community in light of its emphasis on competitiveness, economic growth and maintaining financial market credibility. However, despite these tensions, economic globalisation seems to continue onwards regardless. It seems economic globalisation and nation-states embedded within this world order can easily withstand a significant level of dissent regardless of whether it comes from the significant regressive and xenophobic social movements around the world or progressive-cum-cosmopolitan social movements.[161] Indeed, many governments seem to be particularly eager to satisfy xenophobic social groups by responding to demands to restrict immigration while at the same time persisting with the liberalisation of finance and trade.[162] The state remains a strategic actor that is capable of manipulating public forms of dissatisfaction in ways that transnational bodies like the WTO simply cannot. The persistence of the state is a significant obstacle to the idea of cosmopolitan governance because states remain locked into economic globalisation and most states seem to have a remarkable capacity to absorb protests, in particular strong cosmopolitan moral duties or modes of democracy that could possibly affect the operation of free markets.

It is clear from the preceding observations that I am not confident that the social forces supportive of cosmopolitan governance have the power to confront neo-liberal governance in the near future. While disquiet is rising in respect to the consequences of economic

---

[159] Scholte, "Cautionary Reflections on Seattle", pp. 116-7. For an example see a recent report of the World Bank. World Bank, *World Development Report 2000/2001*, (Washington, D.C, The World Bank, 2001), pp. 11-12.
[160] Held, et al, *Global Transformations*, p. 50.
[161] Falk, "Resisting 'Globalisation-from-above" Through 'Globalisation-from-below'", p. 22.
[162] Saskia Sassen, *Losing Control? Sovereignty in the Age of Globalisation* (New York, Columbia University Press, 1995), pp. 59-62 (chp 3 more generally).

globalisation, the social response is more likely to be the regressive backlash politics that Falk fears, than the progressive cosmopolitanism he hopes for. Likewise, it seems the disjunctures that Held underlines are papered over by the promises of economic growth and the continued reference to nationalism. If cosmopolitan governance is to oppose economic globalisation and set the stage for democratically contoured economy, it will have to prevail *politically* over the social forces arrayed behind economic globalisation.

The Weak Foundations of Cosmopolitan Governance

The problems facing cosmopolitan governance are not limited to issues of political strategy. Charles Beitz states that cosmopolitanism "typically evokes doubts" and is seen to be unrealistic on two grounds;

> one is that such theories are unrealistic in one (or both) senses: either they require more extensive international reform than seems likely politically or they require the establishment of international institutions with a degree of coercive power that states are not likely to concede. ... Of course... it might be argued that the real problem with cosmopolitanism is not that it is unrealistic in an empirical sense but rather that it is unrealistic in a *moral* sense. It might be said, in particular, that cosmopolitanism misunderstands people's local affiliations ... [103]

These criticisms, which are levelled at cosmopolitanism whenever these ideas are espoused, are salient to whether cosmopolitan governance can harness public support and act as foil for global capitalism. The first sense that Beitz refers to was addressed in the previous section, although the argument was that cosmopolitan governance did not have the political faculty to overcome neo-liberal governance rather than an inherent resistance to cosmopolitan governance. We now turn to the second sense that Beitz points to, that while cosmopolitanism is clearly a desirable and practical value system, it may be too weak and deracinated to build a robust polity upon,[104] or to mobilise people and resources to act to redress social problems.

Primarily there is the claim that the ethic of cosmopolitan governance is counterfactual to real ethical and political experience. Benjamin Barber claims that "no one actually lives" in a

---

[103] Beitz, "International Liberalism and Distributive Justice", pp. 290-1.
[104] Barber, Benjamin, "Constitutional Faith", p. 30.

cosmopolitan world, rather they live in a "particular neighbourhood of the world".[165] Michael Walzer likewise suggests;

> How odd it is to claim that my fundamental allegiance is, or ought to be, to the outermost circle. My allegiances, like my relationships, start at the centre.[166]

Cosmopolitan governance not only defends the importance of the outermost circle but also claims that governance should be based on the imperatives that stem from this circle. In Falk's model of humane governance, the attempt is made to build a global democracy and constitution upon pre-existing relationships and desires. The claim is made that essentially ethical experience *is* now at least partially global. Held attempts to extend democracy across and within other relationships across the globe, because if democracy is to realise autonomy in a globalising context, it can only be achieved globally. Both these positions however come down to extending the centrality of abstract law and not the particularistic values of human groups.

Clearly there are real differences that complicate any cosmopolitan effort to develop universal political structures. These differences include uneven economic development, differing political and cultural practices including "local and national solidarities" that are not necessarily compatible with democracy or liberalism.[167] There is also the criticism that cosmopolitanism is a "theoretical justification" that masks Western dominance and vindicates potential pacification of the non-western world and the extension of universal values by powerful western interests.[168] More telling however is the nature of cosmopolitan social relations. Jurgen Habermas contends that outside a "common political culture" there is the absence of "common values orientations and shared conceptions of justice".[169] Habermas is not alone in noting the absence of "thick" morality in world politics.[170] The absence of a thick sense of morality has profound consequences for the political vitality of cosmopolitan governance. Habermas notes that

---

[165] Barber, "Constitutional Faith", p. 34. See also Michael Walzer, *Thick and Thin: Moral Argument at Home and Abroad* (Notre Dame, Notre Dame Press, 1994)
[166] Michael Walzer, "Spheres of Affection" in Martha Nussbaum (ed.), *For Love of Country* (Boston, Beacon Press, 1996), p. 126.
[167] Philip Resnick, "Global Democracy: Ideals and Reality" in Roland Axtmann (ed.), *Globalisation and Europe* (London, Pinter, 1998), p. 129.
[168] Danilo Zolo, *Cosmopolis, Prospects for World Government* (Cambridge, Polity Press, 1997), p.xiv.
[169] Jurgen Habermas, *The Postnational Constellation* (Cambridge, Polity Press, 2001), p. 109.
[170] Habermas, *The Postnational Constellation*, p. 109. See Walzer, *Thick and Thin*, pp. 2-4 and Resnick, "Global Democracy: Ideals and Reality", p. 136.

> even a worldwide consensus on human rights could not serve as the basis for a strong equivalent to the civic solidarity that emerged in the framework of the nation-state. Civic solidarity is rooted in particular collective identities; cosmopolitan solidarity has to support itself on the moral universalism of human rights alone.[171]

These observations obviously complicate the capacity of a global democracy to cultivate civic values, elicit sacrifices from the global 'public' and legitimate authoritative political action. Therefore, the absence of this 'civic solidarity' can be seen as an objection to the feasibility of the cosmopolitan project to attempt to regulate the agents and frameworks of global capitalism.[172]

While these objections complicate the development of an effective cosmopolitan response to neo-liberal governance, they do not totally discredit the cosmopolitan project nor deny that there is the need for "political governance at the global level" to manage the rising complexity of global interaction and interdependence.[173] In addition there are clear developments in international institutions and human rights that suggest that a normative shift towards cosmopolitan values is underway.[174] However, such a shift is partial, with practical cosmopolitan developments steering a wide course around regulating or interfering with capitalist activity. As stated earlier, passive cosmopolitanism is backed by a technocratic system that systematically precludes a deeper cosmopolitan engagement. Nonetheless, the objections noted above point to the weakness of public sentiment cosmopolitanism would be built upon. The concern is that cosmopolitanism is incapable of developing a widespread public ethos that can establish a strong form of governance that is *able to enact* a common structure of action that regulates the adverse social effects of capitalism. It is important at this point to recall G. A. Cohen's point from the previous chapter, that in order to effectively address inequality there needs to be the development of a public ethos that addresses inequality *not just* a new economic and political structure.[175] There are significant doubts, given the critiques of cosmopolitanism noted above, whether such a public sentiment can be produced at a global level.

---

[171] Habermas, *The Postnational Constellation*, p. 108.
[172] Habermas, *The Postnational Constellation*, pp. 99, 105-8.
[173] Resnick, , "Global Democracy: Ideals and Reality", p. 141.
[174] Donnelly, "Human Rights: a New Standard of Civilisation?"
[175] G. A. Cohen, *If You're an Egalitarian, How Come You're So Rich?* (Cambridge, Harvard University Press), p. 120. See also David Miller, "Bounded Citizenship" in Kimberly Hutchings and Roland Dannreuther (eds.), *Cosmopolitan Citizenship* (Basingstoke, Macmillan, 1999), p. 64.

The absence of a public ethos that resists inequality and insecurity is a particular problem for effective economic regulation and redistribution. While the picture of the rich north and the poor south still is largely true in respect to the geographical distribution of wealth, economic globalisation throws new patterns of wealth and poverty across the world. In the same way that the networks of global capital cut across the nation-state, these networks cut across the globe either linking people into webs of prosperity or into large gaps of social dislocation. The redistributive program to counteract this pattern of uneven global development, while necessary to uphold cosmopolitan aspirations, is a massive and complex task.[176] Without a motivating ethos people will be likely to want to make the most of the global economy if it operates favourably near them or compete to bring the networks to them. The absence of a motivating ethos will prevent the regulation of global capitalism, the provision of global public goods or redistribution of wealth from the clusters of wealth production. Likewise "the absence of a global culture strong enough to provide stability and motivate contribution, could generate an unending series of transfers from societies prudent enough to invest rather than consume to those imprudent enough to do the opposite".[177] Proponents of cosmopolitan governance also tend to understate the coercion required to enforce such redistribution, as well as the potential of global 'authorities' to act in tyrannical ways. As Danilo Zolo brashly claims, cosmopolitan governance "could not emerge as anything other than a despotic and totalitarian Leviathan, which could have no other option open to it than to counter the predictable spread of anti-cosmopolitan terrorism with methods of an equally terrorist nature".[178] While this point is rather hyperbolic, cosmopolitan governance nonetheless requires the *institutional means* of economic regulation and redistribution. While this is difficult, cosmopolitan governance also requires the even more difficult realisation of a *public ethos* in the form of a strong and principled public sentiment in order to legitimise global redistribution and regulation.

The development of this public sentiment within a context of cultural pluralism and neo-liberal governance is questionable. It is not just that this sentiment has to be global, but that it has to be democratic in the sense of people being willing to enter dialogue and regard the interests of others. Democracy is still far from a universal practice in states around the world and in many places its exercise is limited or constrained by various cultural or socio-economic

[176] Beitz, "International Liberalism and Distributive Justice", p. 293.
[177] Beitz, "International Liberalism and Distributive Justice", p. 291.
[178] Zolo, *Cosmopolis, Prospects for World Government*, p. 153.

factors. In addition, across much of the world, neo-liberal values and governance also systematically sideline and constrain democratic practice. This does little to augment the notion of a global democratic sentiment. Of particular concern with cosmopolitan governance, according to a range of critics, is the idea that the value system of democracy and citizenship can be exported or imposed.[179] Furthermore, Robert Reich indicates that without practicing the responsibility and reciprocity of democracy and citizenship within a "real political community" people may well "find these ideals to be meaningless abstractions".[180]

For democracy to develop it must be practised. The irony and danger of cosmopolitan democracy is that just as the ideas of world citizenship and global civil society are gaining momentum, the practice of state citizenship is under grave threat because of the instrumentalist thinking of neo-liberalism and the practices of the competition state. The ideas of the competition state do not just frustrate the development of cosmopolitan governance because these practices embrace a detached and passive sense of cosmopolitanism and reject the constraints of cosmopolitan governance. The further, deeper frustration provided by the competition state to the notion of cosmopolitan governance stems from the dilapidated nature of civic life and citizenship within states across much of the western world and beyond.[181] The competition state, enmeshed within neo-liberal governance, fosters a distance between citizen and decision-makers that does little to create a vibrant public sphere or democracy. Of course, the social fragmentation and inequality across the world is also responsible for conditions of political life that are neither robust nor constructive to political participation. If democracy and citizenship were practiced within the state with more distinction, the ideal of cosmopolitan governance would have far stronger foundations. In short, there seems to be missing foundations to edifice of cosmopolitan governance.

As David Harvey has claimed: cosmopolitanism comes upon "trouble when it comes to ground".[182] Clearly neo-liberal governance, while not the only influence over political and social life, significantly shapes the political terrain that cosmopolitan governance must be developed from and developed on. While cosmopolitan governance represents both an

---

[179] Benjamin Barber, *Jihad vs Mc World* (New York, Ballantine Books, 1996), pp. 278-9. See also Zolo, *Cosmopolis, Prospects for World Government*, p. 168 and Miller, "Bounded Citizenship", p. 79.
[180] Reich, *The Work of Nations*, p. 309. See also Miller, "Bounded Citizenship", pp. 77-8 and Walzer, *Thick and Thin*, pp. 8-9.
[181] Philip Cerny, "Globalization and the Erosion of Democracy" *European Journal of Political Research*, Volume 36, Number 1 August 1999. See also Falk, "State of Siege?"
[182] David Harvey, "Cosmopolitanism and the Banality of Geographic Evils" Public Lecture at The University of Melbourne, 15th July 1998.

extension of the cosmopolitan tradition it also represents a principled response to an era of increasing social fragmentation and globalising integration. However, as an approach to governance, the attempt to institutionalise cosmopolitanism runs into some problems with the realities of economic globalisation and neo-liberal governance. It may very well be the case that the effects of economic globalisation will have to be moderated *first* in order to construct cosmopolitan governance. The interactions of global capital, while constituting the basis for economic and political globalisation, do "not go hand-in-hand with any discernible process of planetary social integration" in the sense required for the principled cosmopolitanism for Falk or Held.[183] This point is made in a more hopeful way by Philip Resnick, who claims that even if economic globalisation "runs counter to the spirit of global democracy... in a contemporary version of Hegel's cunning of reason, it may help set the stage for the eventual breakthrough to something more genuinely democratic".[184] In order to establish global democracy and global citizenship it may be necessary to first cultivate democracy and citizenship within the state. It may take a significant period of time to develop the values and preconditions needed for cosmopolitan governance. Cosmopolitan governance, far from being a solution to the effects of economic globalisation, is an idea that may be possible *after* this challenge has been met. In this sense cosmopolitan governance does not have the measures or strategy to construct a framework of governance that can moderate the worst aspects of economic globalisation and thus be a viable alternative to the current reign of neo-liberal governance.

Conclusion: Not the Cosmopolitan Moment

The criticisms that I have levelled at cosmopolitan governance do not maintain that the ideas of cosmopolitan governance are as problematic in moderating economic globalisation as the approaches of extended neo-liberalism and contractual nationalism. Falk and Held leave me convinced that cosmopolitan governance is superior to these two liberal alternatives. They see contemporary globalisation as requiring a turn away from economistic liberalism towards an account of liberalism that does embraces the regulation and redistribution of capitalism as well as of conceiving effective governance as being a global endeavour. Moreover, cosmopolitan governance also convinces me that principled cosmopolitanism needs to be institutionalised into law. There can be no doubt that the ideas of principled cosmopolitanism have and will continue to influence global politics, but principle alone will not be sufficient to enact a

[183] Zolo, *Cosmopolis, Prospects for World Government*, p. 145.
[184] Resnick, "Global Democracy: Ideals and Reality", p. 132.

'common structure of political action in economic affairs' or counter balance global capitalism.

Nevertheless, cosmopolitan governance does not persuade me that the institutionalisation of cosmopolitanism is *currently* a possible way that can effectively moderate economic globalisation. It is my contention that cosmopolitan governance is lacking the political coherence to resist the practices of neo-liberal governance and in repudiating prevailing forms of political association, relies upon a thin political association that would have problems enabling shared burdens and redistribution even if a global structure of political action could be formed. In particular, developing a global political system and community does not seem to be a plausible response to the weakened exercise of democratic association in an era of neo-liberalism and the competition state. The successful application of regulatory and redistributive policies is central to effectively dealing with economic globalisation, but these policies are dependent upon public support and building upon public sentiments that *do* exist. By resting upon the thin morality of cosmopolitanism rather than the thick morality of existing political communities, cosmopolitan governance would simply struggle to provide the ethos to enact a democratically determined will and policies on capital. Cosmopolitan governance will only be in a position to restrain the worst edges of economic globalisation once there are stronger civic foundations to base such a polity on. While some people of the world might increasingly be 'world citizens' it is not the cosmopolitan moment just yet.

Ultimately, while cosmopolitan governance provides the right principles and intent, I am not persuaded that this approach possesses the power needed to enact liberty within the context of economic globalisation and neo-liberal governance. Held claims that 'autonomy is, in short, structured through power'. This is surely correct, but where is the source of power? Democratic public law or an emerging world citizenship needs power that stems from people working together to enable their liberty, but where is the public? David Miller criticises Falk's idea of the 'citizen pilgrim' on the basis that the "only city of which a pilgrim could be a citizen was the Heavenly Jerusalem"![185] Miller's point is that citizens need not be activists but they do need to be embedded in social relations of negotiation and responsibility for political institutions constituted by these social relations. Held's emphasis on power and Falk's attempt to reconcile cosmopolitanism with patriotism point to the importance of people protecting themselves from economic globalisation without resorting to inward looking nationalism. As

[185] Miller, "Bounded Citizenship", p. 78.

Resnick maintains, there is a need to be realistic about the public sentiment needed for solidarity and citizenship. He claims that it means taking "at a minimum, patriotism, to be an enduring and necessary feature in the building of a global democratic order";

> Having roots in a particular country is not incompatible with a sense of cosmopolitanism and open-mindedness towards the inhabitants of other states. We need to foster such a cosmopolitanism; but for most of us this cannot come at the price of denying some primary loyalty to our fellow citizens.[186]

As such we need to turn to a strand of political thought outside liberalism that seeks to institutionalise liberty via the exercise of patriotism and public power within a democratic state. The chapter that follows provides an account of governance that seeks liberty within a neo-roman republican understanding of good government that echoes some of the ideas found within cosmopolitan governance, but emphasises the need to restore civic life within the state.

[186] Resnick, "Global Democracy: Ideals and Reality", p. 136.

Part III

The Republican Restoration of the State

CHAPTER SEVEN – GLOBAL CIVIC REPUBLICANISM: RETRIEVING THE STATE

> The political liberty of the subject is a tranquility of mind, arising from the opinion each person has of his safety. In order to have this liberty, it is requisite the government be so constituted as one man need not be afraid of another.[1]

In differing ways, the liberal approaches examined in Part Two argue that neo-liberal governance is unable to produce stable and secure societies across the world or guarantee prosperous capitalism in the future. The dramatic levels of social dislocation and inequality are of particular concern to the approaches of contractual nationalism and cosmopolitan governance, thereby leading these approaches to prioritise the development of measures that seek to ameliorate these social problems. Nonetheless, from the point of addressing the social and political problems of economic globalisation, there are problems with all three alternate formulations of liberalism. The next two chapters I argue that despite the clear and significant problems of neo-liberal governance *it is extremely doubtful that any of these alternative approaches could enact policies and institutions that would moderate the adverse effects of economic globalisation.* The central claim of this dissertation is that it is not possible to moderate the social effects of economic globalisation and to promote liberty around the world without the public regulation of global capitalism. Furthermore, just as deregulation depends on the state, regulation in the public interest of the agents and infrastructure of global capitalism is scarcely possible without the authority of the state.

As I indicated at the conclusion of the last chapter, cosmopolitanism is not enough. While cosmopolitan governance offers a compelling ethical stance in relation to regulating economic globalisation, its political means are of limited substance. With cosmopolitan governance it is not clear where the power needed for regulation is to come from or how a public can develop from the global extension of democracy. The purpose of this chapter is to provide a republican departure from cosmopolitan and liberal arguments. The neo-roman strand of republicanism is an account of liberty and good government that provides a strong rationale

[1] Charles De Secondat Montesquieu, *The Spirit of the Laws* (ed.) Carrithers, David (Berkeley, University of California Press, 1977), (Book XI, chp 6), p. 202.

to regulate economic activity. While republicanism agrees with the goal of individual liberty, in contrast to liberalism, republicanism asserts that liberty is only possible when people are protected from arbitrary sources of power through the promotion of law that counteracts existing flows of power, including those forms of domination and vulnerability that reside in the 'market place'. In contrast to cosmopolitanism, republicanism asserts that the state is the only potential foundation of power that could feasibly be directed towards public objectives. That is, we ought to construct public forms of power from where citizens are currently situated not from the Archimedean point of the cosmopolis. I contend that even though a cosmopolitan awareness is central to any affective counter to economic globalisation, the motivating force of patriotism, of people feeling responsible for the liberty that the state can impart, is a *far* stronger foundation for action that can moderate economic globalisation than a cosmopolitan sentiment could.

This chapter describes an alternative rationale of governance referred to as global civic republicanism that is built upon democratic states that uphold the civic liberty of their citizens. The political motivation for the regulation of transnational capitalism entails a conception of political practice that is described in three steps. The first step details the philosophical legacy of the republican conception of politics and the state. The second step moves towards detailing the institutions and policy direction of a state that enacts civic liberty. The third step examines the inter-state dimensions of republicanism. It examines the form of cooperation that would exist between civic states as well as the type of arrangements needed to enable such states to publicly regulate global capitalism. I contend that this regulation of global capitalism is absolutely essential to the realisation of republicanism in a global context. This rationale of governance would also be central to regarding the social conditions of inequality and polarisation as being unacceptable, thereby motivating states to enact measures to prevent and counteract these social conditions, in order to fulfil the collective liberty particular to each civic state. It is now the case that to govern via the state within an increasingly global context cannot be assumed; it must be argued.

Retrieving the State

The various approaches to liberal governance examined in Part Two sideline the state. This is overtly the case with the diminution of the role of the state within the arguments of extended neo-liberalism and cosmopolitan governance. Within the argument of contractual nationalism

the state is secondary to the community required to enable and facilitate high technology capitalism. However, it is contended that sidelining the state is a mistake because the competition state is actively orchestrating and upholding the world order of global capitalism and it must be shifted away from this stance in order to envision any alternative to global capitalism as it is presently designed. The alternative rationale of republicanism avers that the state ought to be in a position to facilitate the democratic negotiation and balancing global capitalism. If the state were to protect and be responsible to its citizens as well as cooperate with other states to regulate global capitalism it would be dramatically changed from our current understanding of the state. Positing a central role for the state in a world order *that does not accept* global capitalism as a good or inevitable process deviates markedly from the ideas of contractual nationalism and extended neo-liberalism. The extent to which citizens of a civic state must be responsible for their state demonstrates a distinct difference from cosmopolitan governance even if being a citizen does involve thinking within a context broader than the state.

With this in mind I advocate the idea of global civic republicanism, a formulation of governance that is inspired by republican thought adapted to a world that is increasingly integrated at a global level. Global civic republicanism holds to the precept that individual liberty is only possible when people collectively protect themselves from vulnerability and subjection. Republicanism holds that this can only obtained by citizens creating and being responsible for a republican state. However, protection from the potential or actual harm of economic globalisation cannot be secured by the republican state acting alone. Complex forms of cooperation and delegation of state power are required to enable the joint interstate regulation of global capital and the negotiated governance of other global issues. This cooperation would need to extend beyond the current global regime of economic agreements of an overwhelmingly neo-liberal character towards a global regime, while falling short of cosmopolitan governance, which is more densely and broadly institutionalised around a new republican moral purpose. From the perspective of the republican inspired vision of liberty, the problem with neo-liberal governance is that private interests and transnational networks of capital are able to dominate public institutions and political practices, thereby weakening the public control of the state. Reasserting this connection is essential if the state is to fulfil a civic purpose and be a public foil for global capitalism that is able to balance the democratic pursuit of prosperity, social cohesion and equal liberty – thus moving towards addressing the social and political problems of economic globalisation.

The aim of global civic republicanism is to shift states and the act of governing away from the practices of neo-liberalism and the competition state toward the practice of the civic state. A civic state is a democratic state that is free from external domination and is designed to uphold and protect its citizen's security and liberty. Such a state attempts to balance different values and voices through public deliberation, prevents any particular interest from dominating public life, and enables negotiation with other states. As such the idea of the civic state embraces a republican purpose that revolves around the preservation and protection of its public through political participation. Liberty in this account is a civic accomplishment that is obtained only by people taking the collective and individual responsibility of citizenship.

The philosophical basis of global civic republicanism stems from the neo-roman republican tradition. As an approach to liberty and government, this strand of republicanism draws its inspiration from the Roman period where Roman scholars interpreted the legacy of the ancient Greeks and later, during the Italian Renaissance, when Roman history itself was reinterpreted and when civic humanism was an influential basis for government.[2] Central to the historical legacy of republicanism are the figures of Charles Montesquieu, Niccoló Machiavelli, Jean-Jacques Rousseau and James Harrington. The intellectual and political presence of republicanism was notably present in the revolutions in England, France and America.[3] The main contemporary articulators of this neo-roman tradition are Quentin Skinner, Philip Pettit and Richard Bellamy.[4] The central claim of these writers is that before the ascendancy of liberalism, the neo-roman view of liberty was a prominent political conception that "slipped from sight" during the nineteenth century.[5] This disappearance also occurred in thinking about international politics, although scholars such as Nicholas Onuf and Daniel Deudney point to times and territories within the putative Westphalian system when republican ideas have shaped international practice.[6]

---

[2] Bill Brugger, *Republican Theory in Political Thought, Virtuous or Virtual?* (London, MacMillan Press, 1999), p. 16.

[3] Quentin Skinner, *Liberty Before Liberalism* (Cambridge, Cambridge University Press, 1998), p. ix and Brugger, *Republican Theory in Political Thought*

[4] Maurizio Viroli, John Pocock, John Raulston Saul and Bill Brugger have also been important to the revived interest and re-articulation of neo-roman republicanism.

[5] Skinner, *Liberty Before Liberalism*, p. ix.

[6] Nicholas Onuf, *The Republican Legacy in International Thought* (Cambridge, Cambridge University Press, 1998), pp. 2-3 and Daniel Deudney, "Binding Sovereigns: Authorities, Structures, and Geopolitics in Philadelphian Systems" in Thomas Biersteker and Cynthia Weber (eds.), *State Sovereignty as Social Construct* (Cambridge, Cambridge University Press, 1996), pp. 190-1.

The re-articulation of neo-roman republicanism has been prompted by the dominion of liberalism in both theory and practice. Both Pettit and Skinner claim that the dominance of liberalism has left political discourse and practice in a barren circumstance of instrumental, interest-based government – particularly as evident within neo-liberal thought and practice.[7] By contrast, the guiding ideal of republicanism is that people ought to avoid domination by controlling public power. Republicanism makes the claim that the only way to avoid domination is to include as many voices as possible into the political sphere and to divide power to promote the public good and to prevent any single interest from dominating. The ideal of non-domination has historically been conducted within a republican state shaped and controlled by politically aware citizens who feel responsible for the state. This understanding of republicanism aims for an individual liberty that is only possible if it is constituted and institutionalised collectively.[8]

The contemporary revival of republicanism has centred on it being different from both liberalism and communitarianism.[9] As a political theory, republicanism has broadly criticised both liberalism, for its social atomism, and communitarianism, for the idea that involvement in a pre-political community can define freedom.[10] However, as a political theory, the republicanism conception of liberty differs from liberalism's concept of negative liberty, or non-interference of the state, claiming that non-arbitrary state intervention actually constitutes liberty.[11] There is also a substantial difference between republicanism and communitarianism, as evident within neo-Aristotelian thought where liberty is defined as positive liberty and political participation within a community is the basis to the 'good life'. The neo-roman republican tradition differs markedly from the position heralded by Hannah Arendt and continued by neo-Aristotelian authors such as Michael Sandel and Charles Taylor.[12] A clear distinction is drawn between this tradition and the neo-roman view of republicanism that stems from Roman republican authors and Machiavelli.[13] Pettit, Skinner and Bellamy hold that

---

[7] Philip Pettit, *Republicanism* (London, Oxford, 1999), pp. 5-10 and Quentin Skinner, "On Justice, the Common Good and the Priority of Liberty" in Chantal Mouffe (ed.), *Dimensions of Radical Democracy* (London, Verso, 1992), p. 222.

[8] Brugger claims that "republicans affirm an individualist ontology or an ontology which is family based or relationship-based but leans towards a collectivist advocacy". Brugger, *Republican Theory in Political Thought*, p. 2.

[9] Pettit, *Republicanism*, pp. 7-8 and Skinner, "On Justice, the Common Good and the Priority of Liberty", pp. 222-3.

[10] Brugger, *Republican Theory in Political Thought*, pp.12-14. The difference between republicanism and communitarianism also rests on the historical observation that republicanism was a primordial form of liberalism, or "ur-liberalism", as Deudney puts it Deudney, "Binding Sovereigns", p. 192.

[11] Pettit, *Republicanism*, pp. 22-3.

[12] Richard Bellamy, *Rethinking Liberalism* (London, Pinter, 2000), p. xii.

[13] Bellamy, *Rethinking Liberalism*, p. xii and Maurizio Viroli, *For Love of Country* (Oxford, Clarendon Press, 1995), pp. 170-1.

there is a distinction between the belief that participation in a political community is the constitution of liberty in the sense of positive liberty and the neo-roman republican conception that political participation is the only means to establish a condition where society is free from domination. That is, "rather than trading on a moralistic conception of positive liberty, therefore, Machiavelli urged civic involvement to avoid the domination of tyrants or elites".[14]

Political activity on the part of citizens is a crucial step in the construction of liberty in the republican sense. Nonetheless, the importance of political participation in the development of liberty has not been a recurring theme in mainstream liberal thought. Juridical guarantees of individual rights and constitutional restraints on the state have been considerably more central to the development of a liberal conception of negative liberty.[15] As such the republican tradition posits a political conception of the ethics and institutions needed to construct the conditions of liberty. Bellamy claims that the "commonwealth model" of political participation provides the grounds crucial to the realisation of liberty.[16] He asserts "the rights and liberties available to us depend upon the laws, norms and priorities of our particular society" and that "we shall be free only to the extent that we share in determining their character" and, more generally, to the democratic facilitation of compromises with society.[17] Bellamy notes that republicanism presupposes that

> the rule of law is the product of the rule of men, not superior to it. Democracy plays a more demanding role than the standard liberal one of simply allowing people to advance their preferences and interests.[18]

The clear emphasis of neo-roman republicanism is on political mechanisms and procedures that allow social conflict in a peaceful context of reciprocity that favours the temporary political conciliation and negotiation of different ideas and values.[19] Nevertheless, while institutions are important and embed a rational conception of politics, they are only ever truly animated by citizenship that is also patriotic and virtuous. Such a "love of country" is a "love

---

[14] Bellamy, *Rethinking Liberalism*, p. xii.
[15] Pettit, *Republicanism*, chp 1.
[16] Bellamy, *Rethinking Liberalism*, chp 6.
[17] Bellamy, *Rethinking Liberalism*, p. 120. See also pp.100-102.
[18] Bellamy, *Liberalism and Pluralism*, p. 116.
[19] Bellamy, *Liberalism and Pluralism*, chp 4. See also Maurizio Viroli , *Machiavelli* (Oxford, Oxford University Press, 1998), pp. 26-31 and Noberto Bobbio, *The Future of Democracy* (Cambridge, Basil Blackwell, 1987) Indeed giving expression "to a plurality of points of view and arranging agreements between them" is the key to a political conception of republicanism that safeguards individual liberty". Bellamy, Richard, *Liberalism and Modern Society* (Pennsylvania, Pennsylvania State University Press, 1992), p. 8.

of the common liberty of a particular people, sustained by institutions that have a particular history which has for that people a particular meaning, or meanings, that inspire and are in turn sustained by a particular way of life and culture".[20]

The tradition of republicanism relies on a political conception of participation, negotiation and democracy to construct individual liberty. Rather than liberty existing before the law and the state, as in the liberal conception, liberty is constituted by the state in the neo-roman republican conception. Moreover, while such law seeks to protect people *from* threats as per negative liberty, the neo-roman conception of liberty is constituted in a common and social manner. Hence the understanding of republicanism here is a particular articulation that promotes the safeguarding of the individual by the state. To fully understand the moral justification of the neo-roman republican legacy for developing individual liberty via the political practice of public responsibility, it is necessary to examine the political ethics that motivate republicanism.

Republican Ethics and Practice

The neo-roman strand of republicanism emphasises a series of interlocking political ethics and practices. The first is the idea of non-domination. According to republican thought liberty is not a natural attribute, but rather a civic achievement that requires an institutionalised context where citizens are free from subordination.[21] The republican conception of "freedom consists not in the presence of self-mastery, and not in the absence in interference by others, but in the absence of mastery by others: in absence ... of domination".[22] Pettit claims domination is defined by a relationship where

> one person is dominated by another, so I shall assume, to the extent that the other person has the capacity to interfere in their affairs, in particular the capacity to interfere in their affairs on an arbitrary basis... In the most salient case it is the capacity to interfere as the interferer's wish or judgement – their *arbitrium* – inclines them... If freedom means non-domination, then such

[20] See also Viroli, *For Love of Country*, p. 12. See also David Miller, "Bounded Citizenship" in Kimberly Hutchings and Roland Dannreuther (eds.), *Cosmopolitan Citizenship* (Basingstoke, Macmillan, 1999), pp. 62-5.
[21] Bellamy, *Liberalism and Pluralism*, p. 120.
[22] Philip Pettit, "Republican Freedom and Contestatory Democratization", in Ian Shapiro and Casiano Hacker-Cordón, *Democracy's Values* (Cambridge, Cambridge University Press, 1999), p. 165. See also Viroli, *Machiavelli*, p. 119.

freedom is compromised whenever a person is exposed to the arbitrary power of another, even if that power is not used against them.[23]

Consequently republican liberty, understood as non-domination, is a condition that is defined by the elimination of both the act of arbitrary intervention *and* the actual capacity to arbitrarily interfere in a person's life.[24] Thus non-domination is tightly connected to the idea of security, in particular, the psychological sense of security to which Montesquieu points.[25]

Republicanism's sensitivity to the capacity of arbitrary intervention in people lives leads to a concern with the effects of power on both individuals and the body politic. Non-domination reflects a concern with the ways ambition, self-interest and powerful private or factional interests can corrupt the body politic and usher in domination and a dependency on the goodwill of these interests, as well as potentially silencing other voices in the political process. The objective is for individuals to be free from both *"imperium"*, that is domination by the state, and from *"dominium"*, meaning domination by sectional interests from society.[26] Avoidance of subordination or vulnerability from these sources differs from the liberal fear of restraint, in that non-domination is dependent not upon the level of non-interference but the "extent that there exist institutional protections against interference" of an arbitrary kind.[27] Thus law actually constitutes non-domination in contrast to the liberal view of non-interference. In the latter, law can only be justified by the result of less overall restraint on individuals by the presence of law.[28] Republicanism stresses transparent, publicly governed non-arbitrary law as the way to construct liberty. Liberty defined as non-domination "comes about only by design" – it is the "freedom of the city, not the freedom of the heath".[29]

A requisite in the design that achieves this liberty is the publicly directed and constrained exercise of power by a republican state. According to republicanism, power is an unavoidable and omnipresent element in social life, thereby necessitating a public counterbalance to private forms of potential domination. Publicly directed power refers to the exercise of law in the interest of protecting the public from subjection and rea... 3 public goods. This activity is

---

[23] Pettit, "Republican Freedom and Contestatory Democratization", p. 165.
[24] Pettit, *Republicanism*, chp 2.
[25] Montesquieu, *The Spirit of the Laws*, Book XI, (chp 6), p. 202. Machiavelli was also concerned with avoiding dependency and fear. On this, see Viroli, *Machiavelli*, pp. 130-1.
[26] Pettit, *Republicanism*, p.13. Italics in original.
[27] Brugger, *Republican Theory in Political Thought*, pp. 6-7.
[28] Pettit, *Republicanism*, pp. 40-3 and Brugger, *Republican Theory in Political Thought*, p. 6.
[29] Pettit, *Republicanism*, p.122.

best referred to as "public power" as it exists to "serve the public weal".[30] Indeed public power demonstrates that

> the aim of all government is the wellbeing of the society governed. In order to avoid anarchy, to enforce the laws, to protect the citizens, to support the weak against the ambitions of the strong, it was necessary that each society establish authorities with sufficient power to fulfil these aims.[31]

Consequently, publi[illegible]r refers to the *source* of the power of a civic state, the transparent *means* in which power is articulated, and to the *ends* that such a state is designed to protect. Pettit refers to this activity as a form of "antipower" that is aimed at curtailing domination.[32] He maintains that

> antipower is what comes into being as the power of some over others – the power of some over others in the sense associated with domination – is actively reduced and eliminated. Antipower will materialize in such a world, as measures are put in place that serve contingently to defeat those conditions.[33]

Thus it is not just well intentioned laws that help enact the republican conception of liberty. It is that laws backed by the publicly directed use of power counteract multifarious forms of vulnerability and domination.

The design of enacting non-domination requires that the exercise of the public power is structured and delimited within a republic. A republic is a state where sovereignty is "located in the people" even if the actual exercise of authority is delegated across a range of institutions and governments.[34] Such authority is both defined and constrained by the principle of self-government that is focused on the common or public good of its citizens.[35] The government is focused on enacting non-domination by addressing matters of internal and external security as well as acting on matters of public concern. A republican inspired state is organised with democracy being a central feature of public interaction with the governmental apparatus. Nevertheless, republican democracy is not an act of direct democracy but "a mechanism for constraining, influencing and producing government and for facilitating the compromises and

---

[30] John Ralston Saul, *The Doubter's Companion: A Dictionary of Aggressive Common Sense* (New York, The Free Press, 1994), p. 237.
[31] Denis Diderot, *L'Encyclopedie* in Ralston Saul, *The Doubter's Companion*, pp. 237-8.
[32] Philip Pettit, "Freedom as Antipower" *Ethics* 106 April 1996, p. 589.
[33] Pettit, "Freedom as Antipower", pp. 588-9.
[34] Dewdney, "Binding Sovereigns", p. 197.
[35] Skinner, "On Justice, the Common Good and the Priority of Liberty", p. 217.

rules necessary for the efficient and fair coordination of our lives".[36] Democracy and the public responsibility inherent in the republican understanding of citizenship play key roles in disciplining the governmental apparatus of the state. Consequently, the publicly controlled state, and the non-arbitrary interference it imparts through the exercise of public power, does not cause liberty but "constitutes" it.[37] Essentially, republicanism argues "that a state would not itself dominate its citizens – and could provide a unique protection against domination based on the private power or internal or external enemies – provided that it was able to seek only ends, and employ only means, that derived from the public good, the common weal, the *res publica*".[38] Thus a republic is both an institutional assemblage and a political association encompassing members of a public united around a concern for their mutual liberty.

Another principal republican theme is the public good, understood not as a pre-political conception of the good life, nor an aggregation of individual interests, but rather as a common interest in goods that are not able to be obtained individually – particularly a dependable and extensive sense of liberty.[39] Bill Brugger claims that "at the centre of republican thought is a strong constitutional state based on the rule of law and opposition to arbitrariness and with a clear notion of the common good or the public interest which is not simply the result of group pressure".[40] Non-domination is a shared and constitutive condition that is typified by a secure and peaceful environment for individuals to live their chosen lives. This context is understood as a public good not a private good. This observation is underlined by Pettit's claim that non-domination is an "egalitarian good" and a "communitarian good" in that it is only realisable if non-domination is enjoyed more or less equally and has a "common and social" character – it "is not the atomistic good associated with non-interference".[41] Indeed, Rousseau emphasised that equality is important "because liberty cannot subsist without it".[42] Hence the republican conception of the common or public good is where

> one cannot create such an environment except through active collaboration with others, nor control the beneficial externalities it generates so as to channel them only to certain others, though one could cut oneself off from them through one's own anti-social and intolerant actions. Put another way, the condition of living as equals has to be desired in and for itself – as an intrinsic

---

[36] Bellamy, *Rethinking Liberalism*, p. 101.
[37] Pettit, *Republicanism*, p. 108.
[38] Pettit, *Republicanism*, p. 287.
[39] Pettit, *Republicanism*, p. 284.
[40] Brugger, *Republican Theory in Political Thought*, p. 20.
[41] Pettit, *Republicanism*, p. 125. See also Viroli, *Machiavelli*, pp. 123-5.
[42] Jean-Jacques Rousseau, *The Social Contract and Discourse on the Origin of Inequality* Crocker, Lester (ed.), (New York, Washington Square Press, 1976 [1762] p. 55 (Book II, chapter XI).

aspect of a certain kind of society – rather than instrumentally, since it would allow selective domination to acquire personal advantage.[43]

Thus the public good of liberty is only possible if constituted collectively and institutionalised by a state that is principally designed to "track" all the common interests held by the citizenry.[44]

Consequently, the public good requires political participation and responsibility by the constituent citizens. Rather than being an end to political life, republicanism understands political participation and citizenship as crucial components in the promotion of the public good and the avoidance of domination. Instead of direct participation in all government decisions, republican thought has emphasised the importance of overlapping avenues that enable the public to contest decisions that are made by public representatives to ensure that public decisions reflect the public good and do not promote particular interests.[45] Consequently, citizenship is a virtuous concern for the public good manifest by an inclusive and active interest in public affairs as a practice that uphold citizen's own liberty.[46] This interest in public affairs is one that sees "the people as trustor both individually and collectively; and sees the state as trustee: in particular it sees the people as trusting the state to ensure a dispersation of non-arbitrary rule".[47] This trust is backed up by a structure of the state that ensures the dispersal of power over a range of institutional bodies and a virtuous practice of citizenship that involves vigilance and a concern for the public good which transcends individuals' pecuniary or particular interests.[48] It is not just the participation of an individual in the political process but the participation of all of those in society that is the path to a collective liberty that is both durable and avoids the imposition of a preordained good.[49] Thus, rather than a necessary evil, the state is a crucial artifice of and for the people who are its citizens.

These interlocking ethics and practices converge on the observation that liberty can only be realised when citizens act together to control power in order to avoid both domination by

---

[43] Bellamy, *Liberalism and Pluralism*, p. 139.
[44] Pettit, *Republicanism*, p. 290.
[45] Pettit, *Republicanism*, pp. 182-200.
[46] Viroli, *Machiavelli*, pp. 127-9. See also Miller, "Bounded Citizenship", pp. 64-5.
[47] Pettit, Philip, *Republicanism*, p. 8.
[48] Skinner, "On Justice, the Common Good and the Priority of Liberty", p. 217.
[49] Viroli, *For Love of Country*, pp. 14-7. Clearly across human history large sections of the public have not been active participants in the operation of the state in this way. However, the point is that the state needs to be open to broad political participation in an institutional sense in order to be able to constitute non-domination.

particular interests and preventable vulnerability. An appropriately designed state is a vital component of this task. Both liberalism and republicanism agree that the state should seek to uphold liberty but whereas liberalism claims this is possible by ensuring the non-interference in the chosen decisions of people, republicanism

> maintains that this can never be sufficient, since it will always be necessary for the state to ensure at the same time that its citizens do not fall into a condition of avoidable dependence on the goodwill of others. The state has the duty not merely to liberate its citizens from such personal exploitation and dependence, but to prevent its own agents, dressed in a little brief authority, from behaving arbitrarily in the course of imposing the rules that govern our common life.[50]

The scope of concern extends, as Skinner explains, not just to wariness of the state but to private sources of domination as well. The state is not only legally and morally *constrained* from dominating people itself, it is also *empowered* to prevent certain people being dominated by others as well as being *designed* to be uncorrupted by sectional interests within society. This balancing requires its citizens to be actively concerned with political affairs and institutional mechanisms in which government action is transparent and open to public discipline. The bottom line is that all forms of power – both public and private – must be contestable. The republican state's law-making power is designed to remove "certain forms of domination without putting new forms of domination in their place".[51]

The Civic State and *Imperium*

Contemporary republicanism's forthright goal of controlling power distances this ethical stance from direct democracy and communitarian arguments to such an extent that Brugger argues that Pettit's interpretation of republicanism is best termed "weak republicanism".[52] Pettit himself regards his conception of republicanism as "gas-and-water-works republicanism" that departs from romantic accounts of republicanism or democracy where

---

[50] Skinner, *Liberty Before Liberalism*, p. 119.

[51] Pettit, "Freedom as Antipower", p. 588.

[52] Brugger, *Republican Theory in Political Thought*, p. 13. It is also important to note that contemporary republicanism is part of a legacy of republicanism that is long and winding, notable for its discontinuities as much as its historical coherence. Brugger notes that there is a series of (rightly) discarded themes in contemporary republicanism. He notes that the militarism of early modern republicanism – particularly Machiavelli's "republic for expansion", the importance of canonical "law-givers" or founding fathers, and the idea, made famous by Rousseau, of a "political religion" – are ideas associated with republicanism that have been (rightly) been discarded in recent republican thought. Brugger, *Republican Theory in Political Thought*, p. 182.

> certainly the goal is a dispensation under which the high ideal of freedom as non-domination flourishes. And certainly that dispensation requires a regime under which constitutionalism and democracy rule. But constitutionalism and democracy come to be stabilized only via arrangements that are no more intellectually beguiling than the infrastructure of gas and water supply.[53]

This practical vision is what shapes the contemporary articulation of republicanism – it does not require a step back to the positive liberty or the "liberty of the ancients".[54] Republicanism unites the demand for virtue and civic activity on the part of citizens with public institutions in order to contest power and construct institutions that secure the protection of citizens from domination.

The 'gas-and-water-works republicanism' vision of republicanism, while sharing some of liberalism's concerns, offers a substantially different articulation of the state than the liberal account. A republican state is a polity where freedom is defined and constituted as the civic achievement of non-domination rather than the liberal formulation of non-interference. However, not only does the state offer more protection to its members than a liberal state, but it also requires more attention. As such a particular public ethos develops between the state and the citizenry. This ethos entails that citizens cherish the institutions that act as a bulwark against arbitrary forms of power, but also requires that these citizens are actively "political" in the sense that individuals act with "restraint and moderation" in order to "respect other citizens' liberty, and to discharge their civic duties", in addition to being wary and vigilant in respect to potential threats to the public good.[55] At an ethical level the values of civility and patriotism become guiding norms of political life, while at an institutional level, forums and avenues of democratic oversight over the working of authority are indispensable to facilitating non-domination. These norms and institutions are mutually supporting in the sense that they aim at constituting the civic liberty of non-domination and are therefore aimed at being responsive to the dangers of both *imperium* and *dominium*.

In order to avoid and minimise the possibility of domination by the state, a republican inspired state embeds three practices. First, a republic requires the practice of citizenship that involves individual responsibility for the state and an active mutual concern regarding the

[53] Pettit, *Republicanism*, p. 239.
[54] Pettit, *Republicanism*, p. 18.
[55] Viroli, *Machiavelli*, p. 45.

affairs of the polity.[56] According to Montesquieu this concern is a "political virtue" that is "the spring which sets the republican government in motion".[57] Skinner claims this virtue means that, "if we wish to maximise our liberty, we must devote ourselves wholeheartedly to a life of public service, placing the ideal of the common good above all consideration of individual advantage".[58] These qualities imply increased *public oversight* in political life but more importantly demand *public responsibility* for political processes and outcomes. Furthermore, republicanism contends than non-domination is attained by the act of *public construction*. In essence, republicans "try to construct rather than deduce the largest set of rights capable of being held simultaneously by a society of roughly free and equal but widely divergent individuals".[59] But whereas liberal citizenship comprises "the right to have rights" understood as a set of individual rights, republicanism discerns citizenship as a ongoing and constitutive process, a practice in the making, that is best understood as "the right to disagree about the rights we should have".[60] Consequently, the republican conception of citizenship differs from the liberal conception on the grounds that citizenship is not a mere status and a bundle of rights but also a stake in the political operation of the state in which citizens reside.

Nevertheless, while the republican conception of citizenship is not a communitarian one, the practice of citizenship and the notion of 'the public' are unavoidably particularist in the sense that they develop from actual ongoing forms of common association.[61] Nationality may well be a "partial replacement" for patriotism in the modern world,[62] but it is not sufficient for the active political motivation and participation embedded in the practice of patriotism.[63] Patriotism and citizenship are "sustained by shared memories of [a] *commitment to liberty, social criticism, and resistance against oppression and corruption*".[64] Ultimately then, republicanism does not embed any ethnic or nationalistic norms or conception of the good life other than norms that

---

[56] Quentin Skinner, "The Republican Ideal of Political Liberty" in Gisela Bock et al (eds.), *Machiavelli and Republicanism* (Cambridge, Cambridge University Press, 1990), p. 303 and Viroli, *Machiavelli*, pp. 138-9.

[57] Montesquieu, *The Spirit of the Laws*, (Appendix IV),p. 478.

[58] Skinner, "On Justice, the Common Good and the Priority of Liberty", p. 217. See Deudney, "Binding Sovereigns", p. 205-7 for virtue in the early American setting. The actual virtues needed to uphold the common good according to Cicero's formulation are "prudence, justice, courage and temperance" Quentin Skinner, "The Idea of Negative Liberty: Philosophical and Historical Perspectives" in Richard Rorty et al (eds.), *Philosophy in History* (Cambridge, Cambridge University Press, 1984), p. 214.

[59] Bellamy, *Liberalism and Modern Society*, p. 254.

[60] Richard Bellamy, "'The Right to Have Rights': Citizenship Practice and the Political Constitution of the European Union", Paper Delivered at the European University Institute on the 20th of November 2000.

[61] Viroli, *For Love of Country*, p. 13. See also Jurgen Habermas, *The Postnational Constellation* (Cambridge, Polity Press, 2001), p. 108, Michael Walzer, *Thick and Thin: Moral Argument at Home and Abroad* (Notre Dame, Notre Dame Press, 1994), p. 8 and Miller, "Bounded Citizenship", pp. 62-3

[62] Miller, "Bounded Citizenship", p. 67.

[63] Viroli, *For Love of Country*, pp. 11-3.

[64] Viroli, *For Love of Country*, p. 13. Emphasis added.

entail public responsibility and oversight -- norms that reflect the social nature of the morality that constitutes non-domination.[65] Indeed,

> it is this modest moral commitment which republicanism requires: that citizens and institutions be such to recognize the importance and dignity of a non-dominated status for every citizen. This is a moral foundation for it is intrinsically other-regarding: it requires the non-dominated status of *others* as the "supreme limiting condition" of one's own non-dominated status.[66]

Hence, the 'modest moral commitment' of republican virtue is compatible with pluralism and differing conceptions of the good life, as well as moral and political commitments beyond the state.[67] Republicanism is not a nationalistic theory in that it invokes an ongoing "love of the political institutions and the way of life that sustain the common liberty of a people" rather than a love of a nation's "cultural, linguistics and ethnic oneness".[68] Nor does republicanism stipulate a blinding righteousness. In fact, patriotism is demanding exactly because it requires a moral commitment to open mindedness beyond citizens' own private interests, a political involvement in the development of the public good and personal vigilance in the face of threats to the republic. Such commitment, solidarity, and passion are only enabled by people feeling that they are "*part* of something".[69]

The second practice of a republican inspired state that prevents *imperium* is the structure of the state itself. Republicanism assumes that the functionaries of the state and the virtue of citizens may well fail to uphold the public good. As such republicans insist that public power should be "non-manipulable" by the government in power with widely dispersed public institutions and corrective mechanisms embedded in the constitution and the political system.[70] Naturally a civic state must embed the rule of law and the "counter-majoritarian condition" where it is more difficult to change fundamental laws and the constitution.[71] Republicanism also entails the dispersal of power across different levels, bodies and offices of government, the division

---

[65] Pettit, *Republicanism*, p. 8. See also Viroli, *For Love of Country*

[66] Gurpreet Rattan, "Prospects for a Contemporary Republicanism" *The Monist*, January 2001, Volume 84, Number 1, p 125. Emphasis in original.

[67] Viroli, *For Love of Country*, p. 12. Indeed, Jurgen Habermas refers to this "political culture" as "constitutional patriotism". Habermas, *The Postnational Constellation*, p. 74.

[68] Viroli, *For Love of Country*, p. 1. Furthermore, Viroli argues that "to see truly compassionate love of the republic and of our fellow citizens flourishing in our polities we do not need to dissolve our nations into city-states; nor do we need to reinforce linguistic, ethnic, religious, or (worst of all) moral homogeneity (if this were its price, I would rather give up patriotism). We need good government, justice, exemplary political leaders, and we need to encourage political participation". Maurizio Viroli, "On Civic Republicanism: Reply to Xenos and Yack" *Critical Review* Volume: 12, Issue: 1-2, Winter 1998, p. 196.

[69] Viroli, *For Love of Country*, p. 13. Emphasis added. See Miller, "Bounded Citizenship", pp. 62-5 and 78.

[70] Pettit, *Republicanism*, p. 173.

[71] Pettit, *Republicanism*, pp. 180-2.

of powers and the limitation or rotation of tenure in public office. The constitution should also embed provisions that facilitate the public good, thereby establishing the framework of the state that requires and establishes the government to actively "track all and only the common, recognisable interests of the citizenry".[72] The other side of this equation is to exclude particular interests from dominating parts of the state and limiting the ability of the ambitious to turn the agencies of the state to their own private ends.

The republican dispersal of power across various bodies also includes federalism and an active concern for local representation. While liberalism requires a unified and homogeneous state, united largely by principles of constitutional law, the republican state is more liable to being heterogeneous and differentiated.[73] Also unlike liberal democratic accounts that seek to ensure that "authority is bestowed by individuals in society on government for the purpose of pursuing the ends of the governed",[74] republicans see different levels of government as protection from arbitrary interference. As John Ralston Saul claims, "the most powerful force possessed by the individual citizen is her own government. Or governments, because a multiplicity of levels means a multiplicity of strengths".[75] Onuf avers that federalism is seen in the republican approach to reconcile the "problem" of scale that faces large states, namely how to have a republic large enough to provide external security *but* small enough to construct citizen controlled government.[76] Furthermore, Onuf claims that in contrast to "organic" conceptions of the state, where the national state is conceived as being the only level, the principle of subsidiarity is a republican sentiment that addresses "how to ensure that tasks get done where they should" in order to enable public control.[77] Enabling decisions to be made at local levels of government also motivates public involvement because the consequences of these decisions are more concretely manifest – ultimately, merely "exhorting people to act on their freedom and live up to their responsibilities" does not always suffice in the same way.[78] The idea that issues should be dealt at the lowest level of governance follows Onuf's observation that local control and responsibility can *strengthen* public virtue. It also acknowledges that domination can be minimised without relying on distant law or authorities.

---

[72] Pettit, *Republicanism*, p. 290.
[73] Bellamy, "'The Right to Have Rights'".
[74] David Held, *Political Theory and the Modern State* (Cambridge, Polity Press, 1989), p. 20.
[75] John Ralston Saul, *The Unconscious Civilisation* (Ringwood, Penguin Books, 1997), p. 76. See also Onuf, *The Republican Legacy in International Thought* p. 55
[76] Onuf, *The Republican Legacy in International Thought*, p. 55. See also Deudney, "Binding Sovereigns", pp. 205-7.
[77] Onuf, *The Republican Legacy in International Thought*, p. 57. Ultimately, this is a modern practical adjustment to the "small-is-necessary perspective on citizenship" that stems from republicanism. Miller, "Bounded Citizenship", p. 61.
[78] Onuf, *The Republican Legacy in International Thought*, p. 57.

Indeed, principles of federalism and subsidiarity *sharpen* the ability of the state to track the common interests of citizens without people in a locality being dominated by local interests and concerns because appeals to higher levels will be active possibilities. Naturally, federal measures seek to allow not only common interests to be more accurately assessed but also citizens to have their governments in closer view and control.

Third, the avoidance of *imperium* cannot be entrusted to constitutional provisions alone. Democratic processes must also secure non-domination by providing opportunities for contestation whereby people can claim that public interests are not being upheld or tracked. Pettit advances the idea of "contestatory democracy" where people have both "authorial" and "editorial" powers in relation to government.[79] Editorial contestation need not constitute the power of veto. Rather, institutionalising oversight seeks to maximise the presence of minority voices, promote dialogue and keep the actions of government transparent and accountable in order to promote common interests.[80] Thus public input is not limited to the selection of representatives but includes citizen oversight of government between elections. Methods of such oversight include expected procedures such as the public passage of legislation, freedom of information provisions, a range of consultative measures that include petitions and public committees, and an ability to appeal and reshape law via an independent auditor, judicial and administrative review, and direct referenda.[81] These measures and fora are aimed at ensuring that public decision-making processes track "everyone's relevant interests and ideas", thereby not allowing any one interest to dominate the institutions and policy of the state.[82] These processes also play a substantial role in facilitating compromises between private interests with the overall public good in mind. As Bellamy neatly affirms, democracy does play a "central role" in promoting pluralism by "protecting against arbitrary rule and enabling the educative engagement with others".[83]

The Civic State and *Dominium*

The prevention of domination by the state is only part of the enactment of non-domination. Institutions and procedures are also required to avoid and minimise the possibility of domination by individuals and groups in society. The act of preventing *dominium* involves a

[79] Pettit, *Republicanism*, p. 296.
[80] Pettit, *Republicanism*, p. 295.
[81] Pettit, *Republicanism*, pp. 294-6.
[82] Pettit, *Republicanism*, p. 188.
[83] Bellamy, *Liberalism and Pluralism*, p. 122.

state capable of enacting law and policies that *identify* the practice of domination and the legislative ability to *intercede* in such activity and thus minimise domination. This publicly directed intention and capacity for non-dominating interference is central to the republican goal of promoting maximal independence and minimising vulnerability. This is substantially different to the stance of the liberal state. Pettit points out that the liberal idea of non-interference developed in the early period of industrial capitalism where the new middle and upper classes saw non-interference as a "convenient" and largely unquestioned good.[84] Ultimately, these classes "could ignore the fact that freedom as non-interference is consistent with insecurity, with lack of status, and with a need to tread a careful path in the neighborhood of the strong".[85] In contrast, Maurizio Viroli reflects on Machiavelli's idea of politics as being like "planting trees beneath the shade of which mankind [sic] lives prosperously and happily", and suggests that "like a tree, the good republic that politics is supposed to create and preserve offers protection and solace to all, regardless of what they do under its shade".[86]

The intent of republican structures and policies is to constitute individual independence by either protecting individuals and dampening down flows of power or augmenting the capacity of individuals to protect themselves from subjection. In a practical sense Pettit claims that

> we may compensate for imbalances by giving the powerless protection against the resources of the powerful, by regulating the use that the powerful make of their resources, any by giving the powerless new, empowering resources of their own. We may consider the introduction of protective, regulatory and empowering institutions.[87]

The *protective* functions of the state are directed towards ensuring a common sense of security. Most obviously this includes deterring and guarding against acts of criminality as well as "preemptively" restricting material, of a racist nature for example, that may endanger certain groups.[88] The *empowering* efforts of republicanism promote individual security and independence by non-arbitrary systems of government interference and insurance. The important goal is to prevent these systems of assistance or interference from being arbitrary or

---

[84] Pettit, *Republicanism*, p. 132.
[85] Pettit, *Republicanism*, p. 132.
[86] Viroli, *Machiavelli*, pp. 40-1.
[87] Pettit, "Freedom as Antipower", pp. 589-90.
[88] Pettit, "Freedom as Antipower", p. 590. See also John Braithwaite and Philip Pettit, *Not Just Deserts* (Oxford, Oxford University Press, 1990)

pernicious. While republicanism does not embed "strict material egalitarianism"[89] it does support the provision of state provided welfare that tends towards public policies of an egalitarian nature.[90] This sanctions forms of redistribution only under conditions that are established under "law like constraints, not at the discretion of particular authorities".[91] The intervention that a republican state would impart includes the provision of services that promote people's security from various sources of domination *and* vulnerability. As such people, according to Pettit, "need epistemic security (i.e. education), they need social security and they need medical security".[92] The overriding goal of these public policies is to promote "socioeconomic independence" and thereby avoid individual subjection without the state itself being domineering or paternalistic."[93]

The *regulatory* profile of republicanism attempts to reduce domination by "regulating the resources of the powerful, in particular, the resources whereby the powerful may subjugate others".[94] Indeed, "those in economically privileged positions will also dominate certain others – they may dominate employees, customers, or shareholders, for example – unless the way they exercise their resources is regulated".[95] This necessitates familiar regulations that protect workers from unfair treatment or dismissal, unsafe working conditions, misleading advertising, inside trading and abuse of monopoly positions.[96] Of course the domination exerted by powerful economic actors is not usually just in isolated cases, but also of a more systematic character. That is, powerful economic actors may dominate people in a more generally diffuse sense because while the *act* of arbitrary interference may be restricted, the *capacity* for interference persists for as long as there are powerful economic actors. I contend that this opens the need for the general but delimited regulation of economic activity. The republican reason to regulate decisively shifts economic policy away from deregulated regimes of economic arrangement.

---

[89] Pettit, *Republicanism*, p. 161.
[90] Francis Lovett, "Domination: A Preliminary Analysis" *The Monist*, January 2001, Volume 84, Number 1, pp. 110-1.
[91] Pettit, *Republicanism*, p. 161.
[92] Philip Pettit, "The Freedom of the City: A Republican Ideal" in Alan Hamlin and Philip Pettit (eds.), *The Good Polity* (Oxford, Basil Blackwell, 1989), p. 156.
[93] Pettit, *Republicanism*, pp. 158-61.
[94] Pettit, "Freedom as Antipower", p. 590.
[95] Pettit, "Freedom as Antipower", p. 590. This also includes an embrace of the idea of "stakeholding" capitalism – where businesses incorporate the interests of those who are affected by those businesses – as expounded by Will Hutton and outlined in Chapter 5. Will Hutton, *The State We're In* (London, Vintage, 1996)
[96] Pettit, "Freedom as Antipower", p. 591 and Cass Sunstein, *Free Markets and Social Justice* (Oxford, Oxford University Press, 1997), p. 9.

We can clearly see that these forms of republican interference and regulation place the republican relationship with capitalism in a certain light. Clearly republicanism falls short of a socialist agenda since it protects private property, promotes commercial activity and the socio-economic independence of people.[97] Nonetheless, Onuf makes the point that "conspicuously missing from republican thought throughout its long and complex history is any conception of economic activity, of the economy as a sphere of activity that can (if given a chance) operate according to its own logic".[98] Or as Cass Sunstein succinctly puts it, "free markets are a tool, to be used when they promote human purposes, and to be abandoned when they fail to so".[99] Thus the republican aim is a common liberty where everyone in society feels secure, not a society based on the wealth and interests of a select few individuals. By virtue of promoting the overarching goal of non-domination the republican state ought to be a critical site of influence over the organisation of economic practice and individual social opportunities.[100] In line with contemporary republican thought, capitalism cannot 'trump' the common liberty of citizens in the name of property rights or profit. Rather the republican state's highest concern is the liberty of it citizens, even if it requires regulating aspects of capitalism that allow domination or vulnerability – so long as the processes of state interference are non-arbitrary and track the common interests of member citizens. Thus we can see that republicanism encourages capitalism to operate *but* on the terms dictated by the "priority of democratic goals" and the common interests of citizens.[101] Republicanism cannot abide the agencies or frameworks of capital acting in a way that allows domination to be practiced against individuals or dictates how the state should operate. To the republican, capitalist actors should not be placed above the common arrangement of security and liberty. Simply put, it makes no sense to have a republican society that protects people against all forms of domination *except* those produced by deregulated capitalism. Thus republicanism provides a rationale for a regulation of capitalism that is designed to minimise the potential of domination.[102]

To push this point further it is important to examine how republicanism construes economic globalisation. Even more so than liberals, republicans ought to be concerned about the effect of economic globalisation on liberty and the role that government plays. The processes and consequences of economic globalisation disturb republicanism in three principle ways. The

---

[97] Pettit, *Republicanism*, pp. 158-63.
[98] Onuf, *The Republican Legacy in International Thought*, p. 247.
[99] Sunstein, *Free Markets and Social Justice*, p. 7.
[100] Sunstein, *Free Markets and Social Justice*, pp. 8-9.
[101] Sunstein, *Free Markets and Social Justice*, p. 386.
[102] Pettit, *Republicanism*, p. 163.

first and the most obvious concern is the proliferation of inequality and individual vulnerability and its impact on the virtue of citizens.[173] As Chapter 3 demonstrated, inequality is a central consequence of economic globalisation, with dramatic levels of inequality manifest within and between nation-states. Republicans from the early modern period have emphasised the effect of inequality on the "structure of virtue".[174] In a manner not dissimilar to David Held's emphasis on the importance of equality to enable autonomy, the problem of inequality is one that holds people from political participation.[175] For Held inequality hinders the ability to participate in the political system, for republicans, inequality not only frustrates the ability of citizens to be involved politically, but also reduces their capacity to promote the public good. Personal involvement in the public good, often involving placing particular personal interests second to the public good, is difficult when people are deprived or more vulnerable thus producing understandable sentiments of envy and actual insecurity. Rousseau's claim that "no citizen shall be rich enough to buy another and none so poor as to be forced to sell himself", while pointing to the independence of people that republicanism endeavours to promote, seems distant from the reality of a globalised economy.[176]

The second reason that economic globalisation should be of considerable concern to republicanism is that the competition state represents a travesty of a state that is able, let alone disposed, to contest power in order to enact the public good. States that incorporate the procedural configuration that is intended to attract capital and make the most of economic globalisation are typically going to be more responsive to global flows of capital and credit rating agencies than to their citizens. While some strands of liberalism are concerned with this practice, this apprehension is dramatically sharpened for republicanism, given the fundamental need of virtuous citizens to be able to observe and discipline the state. Not only should republican citizens be able to express their opinions but they should also be able to *contest* decisions to ensure that they are in the public interest. In many ways global finance markets and credit rating agencies have the power of veto over public policies and domestic political processes. The potential financial gains of interaction with these actors and frameworks do not reduce the concern for republicans precisely because the potential action on the part of these markets, and competition state susceptibility to them, resides in the realm of domination

[173] This is despite a general but wary support by most republicans for commerce. Montesquieu claimed that while "people may acquire vast riches without a corruption of morals... the mischief is when excessive wealth destroys the spirit of commerce, then it is that the disorders of inequality, which were yet unfelt, immediately arise". Montesquieu, *The Spirit of the Laws*, (Book V.6), p. 137.
[174] John Pocock cited in Onuf, *The Republican Legacy in International Thought*, p. 44.
[175] David Held, *Democracy and the Global Order* (Cambridge, Polity Press, 1995), chp 8.
[176] Rousseau, *The Social Contract and Discourse on the Origin of Inequality*, (Book II, chapter XI), p. 55.

not mere interference.[107] The arbitrary capacity of financial markets over nation-states that are tied to these processes surely undermines the republican notion of popular sovereignty and the importance of prioritising the public interest rather than private interests.

The third concern that economic globalisation presents to republicanism is similar to the second in that it relates to how one set of ideas shapes the state when according to republicanism the only interest that should shape the state is a concern for the public interest. Another fundamental of economic globalisation has been the reconfiguration of legal constitutionalism as investigated by Stephen Gill. Efforts of new constitutionalism, that remove economic issues from democratic decision-making and protect the rights of the "sovereign" transnational investor,[108] present a stark contrast to the role of the constitution in a republican state. Good government, according to republicanism, means avoiding corruption of the state by special interests through constitutions that disperse power rather than concentrate it and entrench an express concern for public concerns that are commonly held by its citizens. Indeed, Machiavelli defines a "corrupt constitution" as one where the powerful are able to enact measures "not for the common liberty but for their own power".[109] The purpose of constitutions in Machiavelli's view was to balance the power not only of the state itself but also by the interests of powerful groups within the republic – most notably the interests of "the people and that of the rich".[110] While republicanism may well support measures to divide the concern for economic management to rulemaking bodies that balance interests within society, the idea of removing decision-making to distant bodies deliberately isolated from democratic oversight is anathema to republicanism.

Hence these republican concerns in the face of economic globalisation are even sharper than the concerns that face liberal governance. I suggested in Chapter 3 that in relation to liberalism there was a dilemma of public power in a global age; a concern of how economic globalisation could be effectively managed and of where governance must be anchored. As the various liberal approaches covered in Part II suggest, there are different ways that liberalism can

---

[107] At its most extreme we can recall Skinner's treatment of Milton's views on the power of "sole judgement" of a monarch: "The institution of veto takes away the independence of parliament, making it subject to, and dependent on, the will of the king. 'Grant him this, and the Parliament hath no more freedom than if it sate in his noose, which when he pleases to draw together with one twitch of his Negative, shall throttle a whole Nation'". Skinner, *Liberty Before Liberalism*, p. 52.

[108] Stephen Gill, "New Constitutionalism, Democratisation and Global Political Economy" *Pacifica Review*, 10 (1), February, 1998, p. 23. In respect to the MAI see Maude Barlow and Tony Clarke, *The MAI and the Threat to American Freedom* (New York, Stoddart, 1998), p. 87.

[109] Machiavelli, Niccolò in Quentin Skinner, *Machiavelli* (Oxford, Oxford University Press, 1981), p. 57.

[110] Machiavelli, Niccolò in Skinner, *Machiavelli*, pp. 65-7.

address this dilemma. However, republicanism has no such dilemma. Given that republicanism regards liberty as a civic achievement, which is only possible by people acting as citizens to collectively and publicly control power, the state is the *only* possible starting point at present. The objective of republicanism is a rational order via a controlled context of authority - an avoidance of both *imperium* and *dominium*. Economic globalisation poses the spectre of *dominium* even if economic gains are produced. A republican inspired state can only exist through the political practice of its citizens who are intent on both supporting and limiting the state in order to protect their liberty. Freedom is only obtained when the republic is defended from arbitrary and uncommon sources of power, such as unrepresentative or arbitrary power, self-interested groups, or a corruption of its ability to forward the public good. Thus the state is not just like any other organisation. It is an organisation centred on the pursuit of the public good, the civic liberty of its citizens.

However, can this civic liberty be created or sustained if the rational order that republicanism seeks to construct stops at the border of the state? How can the republican regulation of economic life occur when capitalism is global in so many respects and therefore how do we moderate the financial restraints of economic globalisation on the state? Global civic republicanism represents an effort to develop a rationale for interstate cooperation and organisation, so as to combine the influence of various publics over forms of globalisation that transcend states' territory and the structures of economic globalisation, *while* maintaining the public control of states and the social outcomes of economic practice.

Republicanism and Interstate Affairs

With the exceptions of Nicholas Onuf and Daniel Deudney, the contemporary articulators of the republican legacy have not dwelt on the interstate context needed for republicanism to operate. While republicanism connotes the unavoidable necessity of the state, I am going to argue that the republican legacy in international affairs unsettles the notion that republicanism is a form of statism or realism. While the state can be defended on the grounds that it can play a *positive role* in world politics, as Hedley Bull did, the republican justification for the state is *qualitatively* different.[111] Bull's defense of the state rested on four main claims: "that the state, whether we approve of it or not, is here to stay"; that global problems such as war, social injustice and environmental collapse are not solely due to the states-system; that states can and

[111] Hedley Bull, "The State's Positive Role in World Affairs", *Daedalus* Vol. 108, 1979.

do cooperate; and that there is no consensus for "transcending the states-system".[112] Republicanism would add to these attributes that the state is the location of governance aimed directly at the expression of popular sovereignty and the construction of liberty – the *necessary* *ends* of the state. Furthermore, the patriotism that animates the republican state is not "exclusive" or a hindrance to interstate solidarity.[113] It is the case that the design of the republic both logically and historically did not stop at the borders of republican constituted states.

Onuf claims that before liberalism dominated the shape of the state and the context of world politics, there was republicanism "which took a world of politics, not states, as its frame of reference".[114] He extends this point by stating that

> contemporary international thought takes a world of independent states for its frame of reference. The legacy of republicanism tells us that independent states are nevertheless connected, and not just by circumstance. The world of states is social, just as any world of autonomous individuals must be.[115]

Onuf is hardly alone with emphasising the social context that enmeshes states,[116] but the ethical implications of this observation are less examined. While some ethical positions emphasise the pre-existing nature of a universal human community,[117] or emphasise the development of global responsibility as actual practical interdependence expands globally,[118] the idea of a broader moral responsibility existing through the state is less developed.

The republican concern for domination must necessarily extend globally. A republican inspired citizenry and state would see "the domination of others as cause for *real* moral and political concern".[119] Consequently, while republicanism does not license compromising the relationship between the state and the non-dominated status of its citizens by transcending the

---

[112] Bull, "The State's Positive Role in World Affairs", pp. 112-120.
[113] Viroli, *For Love of Country*, p. 12.
[114] Onuf, *The Republican Legacy in International Thought*, p. 3.
[115] Onuf, *The Republican Legacy in International Thought*, p. 4.
[116] See Hedley Bull, *The Anarchical Society* Second Edition (London, Macmillan Press, 1995 [1977]), Christian Reus-Smit, *The Moral Purpose of the State* (Princeton, Princeton University Press, 1999) and John Ruggie, "Territoriality and Beyond: Problematizing Modernity in International Relations", *International Organisation*, 47,1, Winter 1993.
[117] Martha Nussbaum, "Patriotism and Cosmopolitanism" in Martha Nussbaum, (ed.), *For Love of Country* (Boston, Beacon Press, 1996)
[118] Charles Beitz, *Political Theory and International Relations* (Princeton, Princeton University Press, 1979)
[119] Rattan, "Prospects for a Contemporary Republicanism", p. 127. Emphasis in original.

state,[122] the *universal goal* of non-domination does open up the need to construct forms of governance that act upon the goal of non-domination and provide civic means to this end. Ultimately, while the republican goal of non-domination is universal, non-domination requires people to bring to "bear their particular interests, identities and perspectives".[123] While the *particular means* may include commonalities that provide the grounds for universal norms, particularism is contextualised by the need to address global issues that cause domination. Thus while there is a cosmopolitan dimension to republicanism, the republican legacy differs significantly from the approach of cosmopolitan governance in that while a nascent global public may be seen to be developing, it does not have attachment of patriotic citizenship and association.[122] Moreover, the need for local control of power persists, as does the public good particular to each republican state. Republicanism now clearly requires the concern for the practice of non-domination to be organised on a global basis in a way that balances state bound public sentiment with global forms of peace and cooperation.[123] Nevertheless, the rational order that extends beyond the state to achieve this must not remove the capacity of the state to promote the common liberty of its citizens or for citizens to be able to have meaningful negotiations within the state.

However, there are historical precedents for the operation of republican ideas beyond the territory of the republic. At this point it is useful to examine Daniel Deudney's illustration of republicanism in the "Philadelphian system" from 1781 until 1861 existing at the edge of the putative Westphalian system.[124] In arguing that the states of the American Union "went beyond confederation, but stopped short of being an internally sovereign state", he offers a historically grounded account of what republicanism might resemble in practice.[125] Deudney indicates that the size and scale of the Union meant that popular sovereignty was "recessed" and therefore expressed in a delegated sense, rather than by direct representation, but

---

[122] Rattan, Gurpreet, "Prospects for a Contemporary Republicanism", p. 127.

[123] James Bohman, "Cosmopolitan Republicanism" *The Monist*, January 2001, Volume 84, Number 1, pp. 4-5. See also Philip Resnick, "Global Democracy: Ideals and Reality" in Axtmann, Roland (ed.), *Globalisation and Europe* (London, Pinter, 1998)

[122] Michael Walzer, *Thick and Thin*, pp. 1-4. See also Miller, David, "Bounded Citizenship" and Viroli, *For Love of Country*, pp. 12-3.

[123] Indeed we can recall Montesquieu's claim that "The law of nations is naturally founded on this principle, that different nations ought in time of peace to do one another all the good they can, and in time of war as little injury as possible, without prejudicing their real interests". Montesquieu, *The Spirit of the Laws*, (Book I, Chapter 3), p. 103.

[124] Deudney, "Binding Sovereigns"

[125] Deudney, "Binding Sovereigns", p. 191. See also Robert Jackson, "Sovereignty in World Politics: a Glance at the Conceptual and Historical Landscape" in Robert Jackson (ed.), *Sovereignty at the Millennium* (Oxford, Blackwell, 1999), pp. 27-8.

nevertheless was "structured" to serve the public of the Union.[126] Of particular concern to the Union was the issue of internal and external security. Controlling and checking the provision of this security was central to the American enactment of republicanism inside and out.[127] The checks and balances of the internal provision of liberty and security correspond with the means to prevent *imperium* covered earlier, but the Union demonstrated an external concern for security in a series of novel ways. The Union was confederative in the sense that the "union government had significant authority in many functional areas but did not have the authority to command states".[128] Nevertheless in extreme situations the federal government was "authorised and equipped" to intervene in order to "prevent revolution or coup" within Union states.[129] The aim of the union was clear according to Deudney:

> Because the overall system architecture negates, it is appropriate to call the structural principle of this order negarchical ... *Negarchy is the arrangement of institutions needed to prevent simultaneously the emergence of hierarchy and anarchy.*[130]

Thus we can see that the republican design to provide security elaborates a sense of sovereignty that differs from exclusive sovereignty. The desire to avoid hierarchy or anarchy produces a context where member states are enmeshed in a situation of constrained power. Like Onuf, Deudney finds that republican popular sovereignty blurs the line between external and domestic politics within the Union.

While the confederative nature of the American Union sheds light on the 'external' dimensions of each state within the union, Deudney indicates that the Union was never alone in world politics. In this respect the interaction between the Philadelphian system and the European Westphalian system is instructive. While within the Union popular sovereignty is dispersed across the member states and the federal government, in the interactions between the Union and Europe, there was no extended popular sovereignty. Deudney claims that rather than attempting a "balancing" of power with its European contemporaries the strategies of "hiding" and "binding" became central choices for the Union.[131] Hiding entails practices of isolationism and nonentanglement, while binding entails the establishment of mutual understandings and "institutional links" that reduce the autonomy of states within the

[126] Deudney, "Binding Sovereigns", p. 197.
[127] Deudney, "Binding Sovereigns", pp. 198-9.
[128] Deudney, "Binding Sovereigns", p. 204.
[129] Deudney, "Binding Sovereigns", p. 201.
[130] Deudney, "Binding Sovereigns", p. 205. Emphasis in original.
[131] Deudney, "Binding Sovereigns", pp. 217-9.

agreements so as to "reduce possible conflict and predatory behavior".[132] A major determinate of the choice between hiding and binding was the effect of "geopolitical separation":

> *In a situation of little geopolitical separation – of closeness – binding is the most appropriate and viable foreign policy practice, and its exercise can result in a nonanarchical system structure.* Because of the absence of material separation, hiding will be nearly impossible and balancing will not achieve security.[133]

Deudney's historical account indicates that the influence of republicanism survived the constitutional renovation of the American Civil War and decisively shaped American foreign policy into the twentieth century. He also demonstrates that as increasing global integration and advances in technology reduced the distance between Europe and America, the strategy of binding became more viable.[134] Furthermore, binding also strengthens popular sovereignty because it reduces the dangers of interstate war (external anarchy) and a potentially despotic state (internal hierarchy).[135] The overarching claim here is that the republican desire to design a context of durable security shaped the *interactions of republican states and other states* in such a way that avoided both anarchy and hierarchy without automatically expanding the notion of the public.

For our purposes, Deudney and Onuf point to the ways in which the republican legacy distances itself from the Westphalian practices of neat exclusive sovereignty and non-interventionism. The case of the American Union suggests republican states aspire to avoid domination *through* interstate negotiation and institutions rather than in the absence of such interaction. Especially in cases of geopolitical proximity the practice of binding demonstrates that republican states are heavily predisposed to confederation.[136] Indeed, the character of international organisation stemming from republicanism differs from cosmopolitan governance in that republicanism could interpret the potential of a global parliament as hierarchical and devoid of substantial degrees of local accountability. This observation moves

---

[132] Deudney, "Binding Sovereigns", pp. 213-4.
[133] Deudney, "Binding Sovereigns", pp. 218-9. Emphasis in original.
[134] Deudney, "Binding Sovereigns", pp. 222-3.
[135] Deudney, "Binding Sovereigns", p. 215.
[136] Note Montesquieu's reason for federation: "If a republic be small, it is destroyed by a foreign force; if it be large, it is ruined by an internal imperfection. This twofold inconveniency is equally contagious to democracies and aristocracies, whether good or bad. The evil is in the very thing itself, and no form can redress it. Very probable it is therefore that mankind would have been at length obliged to live constantly under the government of a single person, had they not contrived a kind of constitution that has all the internal advantages of a republican, together with the external force of a monarchical, government. I mean a confederate republic." Montesquieu, *The Spirit of the Laws*, (Book IX.I), p. 183. See also Benjamin Barber, *Jihad vs Mc World* (New York, Ballantine Books, 1996), pp. 288-90.

us towards the recognition that republicanism requires external linkages that would at the maximum be a confederative association of states. It could be claimed global civic republicanism moves towards the "civitas maximus" that Christian Wolff outlined over two hundred years ago, as colourfully detailed by Onuf.[137] However, the confederation is more like Onuf's characterisation of Emmerich de Vattel's confederation of states: less natural than Wolff's and more consciously constructed.[138] In this sense the European Union can be seen as an example of republican binding with a blurring of state sovereignty,[139] as well as an example of the development of an extended public.[140]

Consequently, global civic republicanism advances both the building of complex forms of interstate cooperation and a civically minded public. While the republican legacy in international affairs could be read as either endorsing the broadening of the extended nature of popular sovereignty across states or of extending the act of mutual binding between popularly sovereign states, for my part I think that the choice between a global public and states that are responsible to their resident citizens collapse on each other in the sense that *effective* public control of states *requires citizens to think globally*. While republicanism requires a massive shift in the way people live the idea of political responsibility within their state in the form of patriotism and citizenship, it also requires citizens to be conscious and responsible in a global sense. In this sense the dominion of economic globalisation can be seen to revive civic awareness. Indeed, although the public sentiments of patriotism and citizenship require considerable restoration, *the appeal of these sentiments can be a powerful resource capable of creating an alternative to the inequity and insecurity of economic globalisation*. While a concrete global public is a cosmopolitan musing for the foreseeable future, extending the existence of extensive interstate institutions coupled with genuine citizen reflection on global politics and conditions needed for civic liberty are essential to a republican approach that is able to develop non-domination within a globalising context.

While there are and should be other fora and levels of governance in world politics to address global or regional issues, these forms of governance cannot in and of themselves construct the

---

[137] Onuf, *The Republican Legacy in International Thought*, p. 58.
[138] Onuf, *The Republican Legacy in International Thought*, p. 60 chp 3 and 4 more generally.
[139] Deudney, "Binding Sovereigns", p. 227.
[140] See Richard Bellamy and Dario Castiglione, "Between Cosmopolis and Community: Three Models of Rights and Democracy within the EU" in Daniele Archibugi, et al. (eds.), *Re-Imagining Political Community*, (Cambridge, Polity, 1998) and Richard Bellamy and Alex Warleigh, "From an Ethics of Integration to an Ethics of Participation: Citizenship and the Future of the European Union" *Millennium* Vol. 27, No. 3, 1998.

civic liberty of republicanism.[141] While the republican imperative of avoiding domination of other states cannot be overstated, interstate cooperation and institutionalisation are crucial to republican aims. Sovereignty should not be "sacred" according to Pettit, thus opening up the possibility that the enactment of non-domination could be handled with more efficacy in a body that is distinct from the state but connected to the state.[142] Indeed the importance of securing civic liberty entails that

> it is going to be in the interest of the republican state to encourage different layers of multinational cooperation and institutionalisation. The emergence of institutional order, regional and global, promises to serve the cause of defence more effectively than exclusive reliance on military capacity.[143]

Despite the dangers of possible domination by distant bodies, well-crafted institutional arrangements outside the state are not just consistent with republicanism but constitutive of republicanism within a globalising context. In order to work towards the goal of assisting civic states to achieve non-domination, forms of international cooperation and governance will have to perform a wide variety of tasks.

Republican Global Governance

The development of international institutions during the twentieth century was shaped by the impact of globalisation, which steadily increased the interdependence of states and individuals across the world, and the increasing severity of world war. The end of the Second World War began a phase of considerable, if asymmetrical, multilateral institution building in order to address issues such as international security, economic management, human rights and, later on, environmental protection.[144] Global civic republicanism seeks to expand upon these developments by enabling civic states to negotiate on matters of public concern and produce law-like relations rather than anarchy or hierarchy in the interstate realm. In particular, this cooperation must enable states to curtail possible forms of domination that effect people from sources external to the state because states "can no longer control and regulate social

---

[141] For an argument along these lines in the context of the European Union see Steven Slaughter, "Republican Liberty and the European Union" *Contemporary European Studies Association of Australia Review*, Volume 28, June 2001.
[142] Pettit, *Republicanism*, p. 152.
[143] Pettit, *Republicanism*, p.152.
[144] Christian Reus-Smit, "Changing Patterns of Governance: From Absolutism to Global Multilateralism" in Albert Paolini et al., *Between Sovereignty and Global Governance* (London, Macmillian, 1998), pp. 20-1.

processes via the creation of boundaries".[145] Thus the republican notion that "good government optimizes security rather than maximizing order" requires transcending borders.[146] When facing the effective geopolitical proximity of globalisation, the ethic of promoting non-domination necessitates a sense of enthusiastic and necessary construction of interstate organizations. This construction includes checks and balances within these organisations as well as institutional transparency and oversight of the publics from constituent states. By contrast, the prevailing liberal grounds of global governance pursue cooperation more reluctantly on the basis of functionalist efficacy.[147]

Republicanism's concerns regarding global governance differ from liberalism in three respects. The first is an emphasis on facilitating the building of republican procedure and sentiments within states. The goal of national self determination facilitated by the UN is insufficient for republicanism in the sense that the important goal of republicanism is that states are designed to publicly guard against arbitrary power and are able to maintain the actual ability to govern – "empirical sovereignty" as Michael Barnett puts it[148] – not to uphold this or that national identity.[149] It may be the case that historical antagonism makes the formulation of republican institutions or a public good impossible within a given nation-state and consequently, may necessitate separation of federation. The point remains, that republican global governance would be committed to developing states that enable a public to protect themselves from vulnerability or mastery. In pursuing this goal, the promotion of human rights is not enough, as only an appropriately designed republican state can provide people with "powers which they can wield as countervailing forces against those who would otherwise dominate them".[150] From a practical point of view development assistance for underdeveloped countries is a crucial area of global governance. The 0.7 GDP per capita foreign assistance goal for developed countries set in 1967 would be an absolutely minimum goal towards this

---

[145] Bohman, "Cosmopolitan Republicanism", p. 8.

[146] Deudney, "Binding Sovereigns", p. 199.

[147] For example, even the Commission on Global Governance asserts a sense of reluctance; "Any adequate system of governance must have the capacity to control and deploy the resources necessary to realize its fundamental objectives. It must encompass actors who have the power to achieve results, must incorporate necessary controls and safeguards, and must avoid overreaching. This does not imply, however, world government or world federalism." Commission on Global Governance, *Our Global Neighbourhood* (Oxford, Oxford University Press, 1995), p. 4.

[148] Michael Barnett, 'The New United Nations Politics of Peace: From Juridical Sovereignty to Empirical Sovereignty', *Global Governance*, Vol. 1, No. 1, 1995.

[149] Since the attacks on the World Trade Center and the Pentagon on September the 11, 2001 and the subsequent 'war on terror', the concerns of human insecurity and failed states have gained increasing prominence. See Stephen Walt, "Beyond Bin Laden: Reshaping U.S. Foreign Policy" *International Security* 26, no. 3, 2001.

[150] Pettit, *Republicanism*, p. 304.

overarching republican goal of effective sovereignty.[151] It has to be stressed that the goal here is "human security", meaning protection from different types of vulnerability, not strong states or governments.[152]

The second point of clarification between republicanism and liberalism rests on the republican belief that sovereignty is highly contextual and contingent on the broader moral purpose of non-domination. This point suggests that the form of cooperation between republican states contains both the common moral purpose of avoiding domination and a commitment to maximal state autonomy. This is a similar image to the domestic context of the republican states in that in order to enjoy liberty, common laws have to be enacted and distinct limits to state autonomy have to be maintained. Rather than the liberal view of sovereignty being conceived as an *end* in itself, the republican tendency is to see sovereignty as being tied to the development of a free state and therefore, a *means* to non-domination. In order to maximise effective state autonomy states have to forgo types of action that actually or potentially dominate other states or individuals and participate in forms of intervention or "mutual aid" that transcends borders.[153] The important consequence that stems from this observation is that republican global governance would strengthen the current shift in world politics towards not permitting sovereignty to be an excuse for states that egregiously maltreat their citizens.[154] However, while military intervention or subtler forms of intervention in a republican context would be duty rather than a right in the appropriate circumstances, the intervention must be transparent, law governed and track the interests of those intervened with – in short non-arbitrary.[155]

The third distinction between republican and liberal global governance is the emphasis that liberal governance has on facilitating capitalism. While liberal inspired governance has taken a decisively neo-liberal turn in the latter decades of the twentieth century, liberalism has a long history of developing forms of governance that assist particular configurations of capitalist

---

[151] Presently "only four donor countries – Denmark, the Netherlands, Norway and Sweden – were meeting or surpassing the agreed UN target of 0.7 per cent of their GNP." UNRISD, *Visible Hands: Taking Responsibility for Social Development* (Geneva, UNRISD, 2000), p. 27.

[152] UNDP, *Human Development Report 1999* (New York, Oxford University Press, 1999), pp. 3-5. For further elaboration of the idea of human security see UNDP, *Human Development Report 1994* (New York, Oxford University Press, 1994), chp 2.

[153] Onuf, *The Republican Legacy in International Thought*, pp. 139-40.

[154] Thomas Buergenthal, "The Normative and Institutional Evolution of International Human Rights" *Human Rights Quarterly* 19.4 (1997), p. 722.

[155] Onuf, *The Republican Legacy in International Thought*, p. 161. Onuf claims that whereas "in a purely liberal world, sovereignty entails non-intervention; the republican legacy of concern for the common good affirms the propriety of intervention inspired by larger motivations than the intervenor's immediate advantage"(p. 140).

production and exchange.[156] As noted previously, republicanism cautiously facilitates capitalism and commerce.[157] However, the realisation of the republican goal of non-domination is impossible within a global economy where states compete with each other for actual regulatory standards and where transnational private interests are privileged over the public interest within states. The ability of civic states to achieve a condition of non-domination is not possible without the "multinational cooperation and institutionalization" that Pettit points to in respect to global issues, such as economic governance.[158] Indeed,

> while the republican state represents an indispensable means of furthering people's non-domination... there are some domestic issues on which it may be better from the point of view of promoting freedom as non-domination to give over control to those bodies and thereby to restrict the local state.[159]

Since the inception of economic globalisation the issue of global economic governance has become complicated and increasingly contested as a result of the obvious failing and crises generated by the global financial system. As a result there have been arguments from all over the political spectrum – including liberals and avid capitalists – for the global regulation of transnational capital evident in such ideas as the Tobin tax and reforming the global financial system and the bodies that 'regulate' this system.[160] There is also the observation that major states have the power to transform the system if they had the motivation or moral purpose.[161] While republicanism can recognise the need to regulate global capitalism or delegate sovereignty, liberal-capitalist attempts to reform the system are swimming against their own tide. The reform or regulation of global capitalism needs a stronger reason than the belief that it is producing less than optimal economic outcomes.

---

[156] Craig Murphy, *International Organisation and Industrial Change* (Cambridge, Polity Press, 1994)

[157] Onuf, *The Republican Legacy in International Thought*, pp. 240-2 and Brugger, *Republican Theory in Political Thought*, p. 57. See Montesquieu's caution regarding the impact of commerce on virtue in Montesquieu, *The Spirit of the Laws*, (Book V.6), p. 137.

[158] Pettit, *Republicanism*, p. 152.

[159] Pettit, *Republicanism*, p. 152.

[160] Jan Aart Scholte, *Globalisation, a critical introduction* (Basingstoke, Palgrave, 2000), pp.294-5. See also James Galbraith, "Ending the Globalisation Crisis" *Dissent*, Summer 2000 and Soros, George, "Capitalism's Last Chance?", *Foreign Policy*, No. 113, Winter 1998-9.

[161] See Peter Hirst and Grahame Thompson, *Globalisation in Question* (Cambridge, Polity Press, 1996), p. 189 and Kenneth Waltz, "Globalisation and Governance", *PS Political Science and Politics*, December 1999.

Regulating Global Capitalism

The limits of liberal governance were perhaps most telling in the UN initiative to forge a "global compact" between transnational business and nine ethical principles already embedded in international agreements. On the 31st of January 1999, UN Secretary-General Kofi Annan at the World Economic Forum in Davos challenged world business leaders to "embrace and enact", both by their "individual corporate practices and by supporting appropriate public policies", the principles stemming from The Universal Declaration of Human Rights, The International Labour Organization's Declaration on fundamental principles and rights at work, The Rio Declaration of the UN Conference on Environment and Development.[162] These principles are clearly desirable and basically consistent with both liberal and republican global governance. But the global compact is not binding in any way. Georg Kell and John Ruggie explain that rather "it is meant to serve as a framework of reference and dialogue to stimulate best practices and to bring about convergence in corporate practices around universally shared values". [163] If the social consequences that the social compact is directly addressing were not so severe that this type of measure is being contemplated in the first place the "framework" would be highly commendable, but it falls short of a measure that will promote governance that will moderate economic globalisation. Ultimately, the global compact provides no reason that business should address their stance in relation to the compact other than the protection of their "brand names" and image.[164] Far from being a "Faustian bargain" that Kell and Ruggie suggest that some may see the global compact to be,[165] it is a bargain without the capacity to be enforced. The liberal reluctance to interfere in the operation of capitalism weakens any grounds on which the global compact could have any basis to impinge on the unregulated nature of economic globalisation.

Cosmopolitan governance offers a strong alternative to the mainstream liberalism that seeks to enable markets to dominate over democratic oversight. Both Richard Falk and David Held advance strong arguments for rejecting deregulated capitalism. As Held claims, autonomy requires the regulation of economic affairs via a "common structure of political action in

---

[162] Kofi Annan, "A Compact for the New Century" at the World Economic Forum, Davos, on 31 January 1999, <http://www.un.org/partners/business/davosr> (accessed on the 12/11/00)

[163] Kell, Georg and Ruggie, John, "Global Markets and Social Legitimacy: The Case of the 'Global Compact" presented at an international conference: Governing the Public Domain beyond the Era of the Washington Consensus? Redrawing the Line Between the State and the Market, York University, Toronto, Canada, 4-6 November 1999 <http://www.unglobalcompact.org/gc/unweb.nsf/content/gkjr> (accessed on the 12/11/00), p. 4.

[164] Kell, Georg and Ruggie, John, "Global Markets and Social Legitimacy", p. 9.

[165] Kell, Georg and Ruggie, John, "Global Markets and Social Legitimacy", p. 9.

economic affairs" that entails elaborate changes to trade rules and economic regulation at a global level and changes to national and local laws to comply with the overarching cosmopolitan law.[166] As indicated in the last chapter, while this moral aim is laudable, the political means to enact this are not entirely compelling. While a global agreement is required to restrain global capitalism, there is the need to buttress this regulation with forms of power that have been established by the ongoing activity of citizens working together. The exercise of citizens working together within the state to promote the public good and to politically establish non-domination encompasses directing states to cooperate and enact agreements on intersections of these public goods. This activity is based on the desire to avoid subjection by regulating capitalism and other forms of potentially capricious power.

Republican inspired governance offers a stronger reason for the principled regulation of global capitalism than liberalism or cosmopolitan governance. The reason is simply that such regulation is *required* in order for states to be able to constitute non-domination. This guiding aspiration of republican states incorporates an aversion to potential domination by the private interests of capitalism and the social vulnerability produced by unregulated capitalism. The aim is to constitute a sense of liberty, of personal security from the potential domination by the private interests of capitalists and to also promote forms of public interference that minimise economic vulnerability. Global civic republicanism recognises that while public power stems from a certain citizenry, borders can no longer be the method in which public power constitutes this liberty. Regulation in the public interest suggests a system of law, authored by states which themselves are constituted and disciplined by their citizens, aimed at allowing the various public goods of these states to shape the character of multilateral arrangements. Of course the difficulty is actually arranging – on a global scale between widely differing states – the actual institutional basis that enables the regulation of capital to be practical and non-dominating. At a minimum, common level rules centred on regulating capital in an era of globalisation would have to occur within globally negotiated limits – a desire that can only be enforced and justified locally by appealing to the notion of non-domination and the desire of living within a popularly sovereign state. As the UNRISD maintains, "neoliberal globalisation ... polarizes and splinters. If this trend is to be halted, the 'visible hands' of governments and citizens must intervene to reassert the value of equity and social cohesion".[167] In order for such institutional arrangements to operate to reduce social vulnerability the foundational principles of contemporary governance will have to be shifted away from liberalism towards

[166] Held, *Democracy and the Global Order*, p. 256.
[167] UNRISD, *Visible Hands*, p. 18.

the ethos of republicanism. The 'visible hands' need to be backed by citizens sustaining the public interest at home *and* 'abroad'.

Drawing from the republican concern to avoid domination and vulnerability, even if it requires the non-arbitrary interference of the state, the account of global civic republicanism instills the idea that we ought to move towards global integration that enables and allows non-domination to be a reality for all people. This can only be realised if there is the recognition that states ought to be the prime sources of public power that are linked to public accountability and the public good of their citizens. This requires a revitalisation of republican citizenship and an embrace of the idea that liberty is a collective-civic achievement that establishes a shared sense of security. The only way states can pursue the public good within their state and pursue collective goods at a global level is via a common field of action at more or less a global level. Thus this development of a civic state needs to be coupled with an cosmopolitan awareness to enable a rethink by governments and citizens as to what kinds of restraints should states (including their own) be subjected to in order to construct common level rules.[168] There has to be an ethical basis to the cooperation of states that surpasses the "embedded liberalism" of Bretton Woods in both intensity and extensity.[169] The ethical basis that global civic republicanism is founded on is the public desire to live in a country free from domination due to the presence of a republican inspired state and the global infrastructure constructed by such states. The extent of republican global governance is more inclusive in the sense that this global negotiation seeks to include all states trying to construct a mutually supporting association of republican states.

Common rules would have to be expressly non-arbitrary in that they are rule governed and aimed directly at enabling civic liberty. This means that they cannot be punitive, or fail to protect property rights and must provide predictability and security for capitalists. However, global capitalist activity would have to be regulated by rules determined by the global negotiation of states. Thus it rests with people and governments to agree, at a global level, to restrain those socially harmful consequences produced by unfettered markets to ensure non-domination. The only way public sentiment can be freed from the political infrastructure of competitiveness between states is for transnational capital is to operate by a common set of rules. These common rules should be a form of what Jurgen Habermas refers to as "positive

[168] Habermas, *The Postnational Constellation*, pp. 111-2.
[169] John Ruggie, "International Regimes, Transactions, and Change: Embedded Liberalism in the Post War Period" *International Organisation* 36, 2, Spring 1982.

integration", that is, able extend beyond the deregulation of "negative integration" and actually perform "market correcting decisions" and pursue "ongoing economic and political goals" including enabling taxation and redistribution.[170] Thus, these policies need to be "competition-reducing" in effect and thereby require "the *upward global harmonisation of standards* (including minimum wages, environmental protections and worker rights) by conscious design" in order "to prevent capital from exploiting regional differences that would otherwise exist".[171] Common level rules should exist in relation to the "fictitious commodities" of money, labour and the environment that Karl Polanyi pointed to,[172] because these things are not made by the market itself. Enabling some level of state regulation over these aspects of society is crucial to a sense of public control and to the protection of society.[173] The intention of common rules regarding taxation centres on permitting the taxation of firms and individuals by states (by circumventing transfer cost price strategies and competitive decreases in taxes) as well as the development of new global taxes.[174] The clearest example of a new global tax is the Tobin tax. The idea of the Tobin tax is straightforward: "by implementing a low rate of tax on financial transactions involving different currencies, many speculative movements would become unprofitable and the financial system more stable".[175] The aim of James Tobin's proposed tax was to expand the "autonomy of national governments" and for governments to be able to take a longer and wider range view of their responsibilities[176] – a goal not only compatible with global civic republicanism but necessary to the constitution of it. The point of these rules is not justice *per se*. The rules intent is to minimise those forms of economic activity and power that frustrate the ability of citizens to effectively discipline their state and determine their own liberty. This republican ethos necessitates reshaping the global economic architecture away from an adherence to neo-liberal governance.

---

[170] Habermas, *The Postnational Constellation*, p. 97. He asserts that "an international negotiating system that could place limits on the "race to the bottom" – the cost-cutting deregulatory race that reduces the capacities for social-political action and damages social standards – would need and enforce redistribution regulations" (p. 105). See also Hutton, *The State We're In*, p. 314.

[171] George DeMartino, "Industrial Policies Versus Competitiveness Strategies: In Pursuit of Prosperity in the Global Economy" *International Paper in Political Economy* Volume 3 No.2 1996, p. 28. Emphasis in original. See also Habermas, *The Postnational Constellation*, p. 105.

[172] Karl Polanyi, *The Great Transformation* (Boston, Beacon Press, 1957), p. 69.

[173] Polanyi, *The Great Transformation*, pp. 75-6. This does not rule out the use of markets for these commodities. As Cass Sunstein contends markets can be useful to human ends if kept under public oversight (Sunstein, *Free Markets* and Social Justice, p. 7.). Likewise, republican policymaking can be seen to be open to the use of market mechanisms in issues such as environmental governance. Measures such as tradeable pollution permits could be utilised to promote efficiency and decrease forms of ecological impact, for instance. See Alan Moran, "Tools of Environmental Policy: Market Instruments versus Command-and-Control" in Robyn Eckersley (ed.), *Markets, the State and the Environment: Towards Integration* (Melbourne, Macmillan, 1995).

[174] Habermas, *The Postnational Constellation*, p. 105.

[175] Heikki Patomaki, *The Tobin Tax: How to Make it Real* Ulkopoliittinen Instituutti Working Paper 13 (1999), p. 5.

[176] Patomaki, *The Tobin Tax*, p. 8.

A Summation of Global Civic Republicanism

This chapter has provided a reason to regulate global capitalism that incorporates a clear rationale to regulate capitalism and a capacity to delegate sovereignty. I have argued that the republican regulation of global capitalism rests on civic states that cooperate to avoid domination from the agents and frameworks of transnational capital. This is desirable not just because of the domineering relationship that transnational capital has over the state but because the competition state is currently unable to avoid the social vulnerability that economic globalisation systematically produces. The republican desire to avoid the domination of the state *and* people by the agents and frameworks of transnational capital, and the desire to construct a civic liberty demands that transnational capital is regulated jointly by states. Global civic republicanism is an attempt to balance the construction of liberty in particular states around the world with the capacity and the universal aspiration to address global problems and realise civic states. The bold intent of global civic republicanism is to usher in a transformation of economic practice at a global level. It seeks to regulate economic globalisation, not merely make the most of it or just moderate some of the adverse effects. While falling short of the socialist goal of the end of capitalism or the communitarian ideal of an all-embracing common way of life, the republican inspiration unfurled here is aimed at individual liberty obtained by civic activity. As such, we can see that global civic republicanism is characterised by five moral and political principles.

First, the account of global civic republicanism follows the republican path where liberty is understood to entail *a context of non-domination*. This places restrictions and demands on the state to ensure that liberty, understood as a personal sense of security, is constructed via public oversight and control so that citizens are protected from forms of vulnerability and domination by the state or powerful interests within society.

Second, global civic republicanism develops *a civic state designed to enable the public good*. This enables government that can mediate between the differing visions and interests in society because the state is structured to prioritise the public interest of a common liberty. Such civic liberty is only possible when people have patriotic sentiments for their state and are able to publicly control the state (via vigilant citizenship and inclusive public negotiation) so that it works for commonly held interests and goods rather than the domination of private interests.

Third, global civic republicanism provides a *rationale for the delimited regulation of capitalism in order to promote non-domination*. Such regulation is aimed at promoting protection from various forms of subjection and vulnerability that stem from the unregulated forms of capitalism. In this sense republicanism conceives markets as processes that need various forms of public intervention to ward off forms of actual or potential domination of people or the state as a whole.

The fourth principle of global civic republicanism is that *the confederative tendencies of republicanism promote complex forms of interstate negotiation and institutionalisation*. The desire to avoid anarchy and hierarchy necessitates the delegation of state sovereignty and forms of interstate cooperation that globally promotes non-domination. While the goal of non-domination is a universal principle, in a globalising context, interstate cooperation is necessary to enable civic states to develop the local public control of power and the constitution of non-domination. As such, global civic republicanism will require the active construction of interstate institutions aimed at the mutual concerns of global governance.

The fifth principle of global civic republicanism asserts the *crucial and constitutive need for civic states to jointly regulate global capitalism*. The only way that civic liberty is possible within a context of increasing global integration is for states to jointly rule activities that have hitherto prevented them from pursuing the politics of non-domination and civic liberty. In particular this means jointly regulating global capitalism – via common framework of rules for labour, finance and environmental regulation.

Like the cosmopolitan efforts discussed in the previous chapter, the global promotion of non-domination is clearly a difficult task because it assails the ideas of neo-liberal governance and seeks to constrain the social forces supportive of economic globalisation. I have not sought to argue that the ethos of republicanism is actually present in global politics. While there are signs [illegible] an ethics are shaping global politics[17] and I feel that the dominion of economic [illegible] certainly provides a spark for a revival of republican ideals, the emphasis here has [illegible] acter and plausibility of these ethics in avoiding the social conditions inherent [illegible] globalisation. The challenge of reinvigorating citizenship within the state in order [illegible] is the endeavour that arises from global civic republicanism. While politics *is* global and requires a form of cosmopolitan awareness on the part of republican citizens, there is not

[17] See Deudney, "Binding Sovereigns", pp. 219-30 and Brugger, *Republican Theory in Political Thought*, chp 5.

an ascriptive global public in the republican sense. Thus in contrast to cosmopolitanism, the state remains as a crucial site of the public sentiment and public power required to construct liberty, despite the indispensable need to think within a global context to regulate global issues such as global capitalism. While the next chapter will further elaborate the difference between cosmopolitanism and republicanism, and the underlying problem with liberal accounts of governance within the context of economic globalisation, this chapter has forwarded an alternative that attempts to instil the 'tranquility of mind' that Montesquieu endorsed. Moreover, it does so without arguing for global citizenship or relying on a global public.

CHAPTER EIGHT - GOOD GOVERNMENT IN A GLOBAL AGE

> Many have dreamed up republics and principalities which have never in truth been known to exist: the gulf between how one should live and how one does live is so wide that a man who neglects what is actually done for what should be done learns the way to self destruction rather than self-preservation. The fact is that a man who wants to act virtuously in every way necessarily comes to grief among so many who are not virtuous. [1]

This dissertation has examined the underlying ethical approach taken by liberal scholars who have argued for alternative forms of governance. These alternatives seek to address the deleterious social effects of economic globalisation by maximising prosperity in the case of extended neo-liberalism, facilitating high technology production in accordance with contractual nationalism or promote global democracy in the case of cosmopolitan governance. It is my argument that the liberal accounts examined in Part II do not articulate an alternative ethical approach that is capable of moderating economic globalisation. However, the preceding chapter advocated an approach to governing that provided the rationale to meliorate the inequality and social vulnerability stemming from economic globalisation. It described why this vulnerability and insecurity is a concern for republicanism and how a republican inspired model of governance could regulate global capitalism in order to promote non-domination. The prescriptive edge of this thesis is that the reinvigoration of the republican practices of citizenship and patriotism will provide a strong political foundation from which to regulate global capitalism. Such a civic state would be the foundation of a publicly directed global system of governance aimed at preventing forms of vulnerability and subjection, including those forms arising from deregulated capitalism. This republican inspired restoration of the state differs considerably from liberal responses to contemporary globalisation.

This chapter defends the proposition that global civic republicanism advances a superior argument to that of liberalism in regards to governing within a globalising context. The republican critique of liberalism is that it is blind in many respects to the potential of power within contemporary globalisation to compromise people's liberty. By contrast, republicanism

[1] Niccolò Machiavelli, *The Prince*, tr. Bull, George (Penguin Books, London, 1981), pp. 90-1.

infuses states with the necessary moral purpose that takes arbitrary power as a ubiquitous danger that needs to be secured by public action. The defence of global civic republicanism is unfurled in four steps. First, this chapter stresses why global civic republicanism provides strong grounds for the moderation of economic globalisation. Second, this chapter affirms the republican critique of neo-liberal governance, extended neo-liberalism and contractual nationalism by underscoring the ways in which these approaches fail to provide a rationale for governance that is capable of moderating the social dislocation evident within economic globalisation. The third step examines the sympathies and dissension between republicanism and cosmopolitan governance. This step seeks to elaborate the ways in which global civic republicanism offers an immediate program of action that seeks to refurbish the public nature of the state rather than invent a new edifice of global governance to replace neo-liberalism and economic globalisation. Fourth, I furnish some observations regarding how the civic project of global civic republicanism can be instituted in practice.

Restoring the State

The practical outcome of global civic republicanism is an invigoration of patriotism, citizenship and the public character of the state. Only the appeal and attachment generated and sustained by these sentiments and the appeal of the liberty of a free state could muster the public authority required to moderate economic globalisation. These republican sentiments are political but only obtain a sense of *gravitas* in reference to the ongoing public association of a particular state. The republican philosopher Maurizio Viroli maintains;

> I must emphasize that I do not mean love of the republic in general or attachment to an impersonal republic based on universal values of liberty and justice. I mean the attachment to a particular republic with its particular way of living in freedom. A purely political republic would be able to command the philosopher's consent, but would generate no attachment. To generate and sustain these sorts of passions one needs to appeal to the common culture, to shared memories.[2]

It may be construed that this is an appeal to nationalism. Indeed, David Miller claims that "a viable political community requires mutual trust, trust depends on communal ties, and nationality is uniquely appropriate here as a form of common identity".[3] While an invigoration

[2] Maurizio Viroli, *For Love of Country* (Oxford, Clarendon Press, 1995), p. 13. See also Michael Walzer, *Thick and Thin: Moral Argument at Home and Abroad* (Notre Dame, Notre Dame Press, 1994), pp. 1-4.
[3] David Miller, "The Nation-state: a Modest Defence" in Christopher Brown (ed.), *Political Restructuring In Europe* (London, Routledge, 1994), p. 143.

of patriotism will entail elements of nationalism,[4] the two sentiments are distinct[5] and only patriotism is able to muster the sense of public responsibility and political involvement required to prioritise the public interest and control the public power required to constitute non-domination. A republican state needs public "commitment and solidarity" as well as "belonging and membership" but it can do so without ethnic or cultural homogeneity.[6] Global civic republicanism is animated by a virtuous political bond that seeks to avoid indifference and neglect in the face of inequality and insecurity by taking the political measures necessary within and beyond the state to address these concerns. In this way the social bond of civic virtue is a foundation for an alternative to economic globalisation.

There are three dimensions to global civic republicanism's alternative to economic globalisation. The first is a *concern for the impact of economic insecurity on personal liberty* and wariness towards private forms of power. As I claimed in the last chapter, it makes no sense to promote policies that protect people from various sources of vulnerability *except* those of an economic nature. The republican ethic of security and contestation would require institutional practices that provide empowering resources and avenues that expose forms of power that could subordinate people, including power integral to the frameworks and agents of capitalism. It posits an active role for government to counter-balance flows of power that would otherwise compromise peoples' sense of liberty thereby ensuring that public responsibility is taken for the liberty of individuals.

This rationale leads to the second dimension of republicanism, which is *the enactment of a purposive and delimited regulation of capitalism directed at promoting non-domination.* Such non-arbitrary law would be backed by the exercise of public power, that is power that is publicly guided with the intent of suppressing forms of power that render people vulnerable to the will of others. Such an exercise of public power would create a regulatory arbitrage for capitalism that is stable and predictable yet aspires to creating a context that minimises vulnerability in order to promote the liberty of all members of society. The sharpest threats to individual liberty from capitalism are minimised by regulation that provides the "protective, regulatory and

[4] David Miller, "Bounded Citizenship" in Kimberly Hutchings and Roland Dannreuther (eds.), *Cosmopolitan Citizenship* (Basingstoke, Macmillan, 1999), p. 67.
[5] Maurizio Viroli, "On Civic Republicanism: Reply to Xenos and Yack" *Critical Review* Volume: 12, Issue: 1-2, Winter 1998.
[6] Viroli, *For Love of Country*, p. 13.

empowering" avenues to which Philip Pettit points.[7] This regulation in the public interest is in direct contrast to deregulation that allows prosperous and powerful agents to have virtually free reign.

The third element of global civic republicanism is that republican ethics must also *animate interstate arrangements and agencies via the delegation of the popular sovereignty* required to establish global institutional fields that allow the contestation and regulation of global capitalism. Such delegation contrasts to the "unbundling of sovereignty" that Saskia Sassen refers to within the context of economic globalisation.[8] The delegation of popular sovereignty is not directed at trying to maintain or make the most of economic globalisation. Rather, the delegation of popular sovereignty is where the "ultimate source" of authority is the citizens who delegate their authority to various levels of government in order to secure their *public* interests.[9] This would not result in a context where states control all economic activity. Rather, following Daniel Deudney's contention, the external infrastructure of republicanism (as was actually evident within the Philadelphian system) would be designed to avoid both hierarchy and anarchy.[10] As we have seen, this rationale of counter-balance must extend into the economic realm. The public regulation of capitalism endeavours to moderate the social insecurity inherent in deregulated capitalism as well as preventing private interests from having the capacity to dominate. The structure of the state and interstate agencies would not be shaped by the interests of private capital and governments would be more accountable for the civic liberty that all citizens enjoy. Global civic republicanism argues that the moral purpose of curtailing power extends beyond the territory of a civic state in such a way that interstate infrastructure enables and augments the civic state but does not replace it. The republican argument is that we must build upon the state. Global civic republicanism eschews archetypes that suggest either only the state or only global governance are required to moderate social insecurity; both are necessary to promote non-domination.

The republican argument that I have developed in response to economic globalisation is that we must first adjust the role of the state towards recognising and protecting its citizens from

---

[7] Philip Pettit, "Freedom as Antipower" *Ethics* 106 April 1996, pp. 589-90. The goal of the infrastructure of republicanism is non-domination understood as a multidimensional form of "human security". See UNDP, *Human Development Report 1994* (New York, Oxford University Press, 1994), chp 2.

[8] Saskia Sassen, *Losing Control? Sovereignty in the Age of Globalisation* (New York, Columbia University Press, 1995), p. 28.

[9] Daniel Deudney, "Binding Sovereigns: Authorities, Structures, and Geopolitics in Philadelphian Systems" in Thomas Biersteker and Cynthia Weber (eds.), *State Sovereignty as Social Construct* (Cambridge, Cambridge University Press, 1996), pp. 195-7.

[10] Deudney, "Binding Sovereigns", p. 205.

insecurity and therefore build upon the ideal of citizenship and civic responsibility. According to global civic republicanism, good government entails the public development of power directed at protecting people from domination by public and private sources. As we have seen, this public sense of construction and protection contrasts with liberal arguments, including the cosmopolitan argument of enacting a universal structure of governance. Global civic republicanism differs from 'mainstream' liberal arguments that adhere to the principles of non-interference, capitalism and a minimised role for the state. As such, the republican critique of the various strands of liberalism that have been examined results in a certain hierarchy of critique. The republican argument of this dissertation is especially critical of the prevailing discourse of neo-liberal governance as well as the visions of good governance defended by extended neo-liberalism and contractual nationalism and, albeit in a more sympathetic manner, cosmopolitan governance.

Critiquing Mainstream Liberalism

Clearly, neo-liberalism has shaped both contemporary globalisation as well as the various liberal alternatives.[11] The hegemony of neo-liberal discourse is evident in many parts of the world with policies and the moral rationale for government wrought by the practices of deregulation, liberalisation, privatisation, competitiveness and the promotion of unalloyed capitalism. Nonetheless, economic globalisation is not a natural or inevitable process. As outlined in Part I economic globalisation is closely connected to the logic of capitalism and the interests and active agency of the wealthy in powerful countries. This leads to questions not just regarding the inevitability of deregulated capitalism or the appropriate role of the state but the inevitability of the inequality and social vulnerability that stems from economic globalisation. However, some of the supposed alternatives to neo-liberalism have been tied up in justifying the dominant capitalist interests of economic globalisation as well as engaging in the practice of staring into the future of extrapolated present trends.

The approach to governance examined in this dissertation that adheres closest to the extrapolating of present trends is what I referred to as extended neo-liberalism, an approach that seeks to bypass the nation-state entirely. The problems of this approach in moderating economic globalisation were outlined in Chapter 4. The proposers of the MAI and Kenichi Ohmae seek to extend beyond the balance that neo-liberal governance has drawn between the

[11] James Richardson, *Contending Liberalisms in World Politics: Ideology and Power* (Boulder, Lynne Rienner, 2001), pp. 85-90.

nation-state and transnational capitalism. By discarding the fig leaf that the nation-state provides neo-liberal governance, extended neo-liberalism overtly aspires to protect the processes of deregulation from public and democratic manipulation as well as limiting the discretionary power of governments within the nation-state. The proposers of the MAI sought to achieve this via an international agreement that entrenched the rights of transnational capital, while Ohmae sought to achieve this goal by radically federating the nation-state into region states. Good government according to extended neo-liberalism requires a minimal state stripped of its capacity to impede the rationale or flows of transnational capital in any substantial way. The failure of the original incarnation of the MAI and the lack of overt support for Ohmae's region-state suggest that it is difficult to believe that extended neo-liberalism can give economic globalisation the same predictable context via the, admittedly partial, legitimacy and substantiation that the nation-state framed by the competition state provides. Extended neo-liberalism also assuredly promises that increased deregulation will enhance economic growth and thereby moderate inequality by spreading wealth and promoting innovation. This is contrary to UN documents that emphasise the quality of economic growth and not its quantity as the essential factor in poverty reduction and social development.[12] It also defies the inherently uneven dynamic of global capital accumulation and investment. Ultimately region-states or MAI enmeshed states are defined by giving express priority to transnational capital, and are therefore subject to the dictates of global capitalism to such an extent that the provision of any sense of security to all members of a society is limited in the extreme.

While extended neo-liberalism attempts to transcend the social dislocation inherent in neo-liberalism and economic globalisation, contractual nationalism addresses the problems of social dislocation more directly. The contractual nationalist view of good government is that the state ought to provide the social and political infrastructure required for stable conditions that attract and maintain advanced technological production without rearranging the basic conditions of economic globalisation. However, while liberalism and transnational capital may need a stable community to 'ground' the information technology linkages of the global economy, this does not mean that this kind of national community is easy to develop. The problem of how to foster community looms as a difficult one to balance with the putative

[12] See UNDP, *Human Development Report 1997* (New York, Oxford University Press, 1997), *Human Development Report 1999* (New York, Oxford University Press, 1999), UNRISD, *States of Disarray; The Social Effects of Globalisation* (London, Banson, 1995), and UNRISD, *Visible Hands: Taking Responsibility for Social Development* (Geneva, UNRISD, 2000)

needs of global capitalism. While both Robert Reich and Will Hutton have republican edges to their arguments,[13] they both accept the current deregulated nature of global capitalism as intractable. Hence, contractual nationalism easily collapses into the diffident neo-liberalism of the Third Way. Likewise, the reluctance to rearrange the basic conditions of economic globalisation is evident in an aversion to pursue any fundamental reform of the global financial architecture or to promote debt cancellation that is not "conditional on the implementation of the usual IMF/World Bank package of neo-liberal measures".[14] Lastly, the approach of contractual nationalism offers no hope in a global sense. It is tailored for nation-states that are wealthy and linked into the technological networks of the global economy; indeed, it seems aimed at allowing wealthy high technology nation-states to keep those positions within a competitive global economy. This narrow focus limits its ability to articulate an alternative approach to governance that is more widely applicable to other parts of the globe or that can inform global governance over the longer term.

The alternative forms of good government in the shape of extended neo-liberalism and contractual nationalism do not sufficiently depart from the practice of neo-liberal governance. These mainstream positions reside closely to prevailing ideas and practices of economic globalisation. The republican criticism that I have levelled at these mainstream liberal accounts rest on three grounds. The first is that *these liberal accounts are not sufficiently attentive to the potential of power to compromise people's liberty*. While liberalism claims that people are free to the extent that they are free from actual restraint, republicanism asserts that people who are vulnerable or arbitrarily subject to restraint or even the potential restraint of others are not free. Ultimately, neo-liberalism, extended neo-liberalism and contractual nationalism are willing to let the markets determine the fate and the liberty of people. In effect, they consider that the financial benefits of economic globalisation outweigh the potential or actual vulnerability borne by many. By contrast, I argue that in order to create a condition of non-domination it is necessary for governments to take public responsibility for promoting a sense of security.

The second line of critique is a corollary of the first: the mainstream liberal arguments I have examined *do not provide a rationale for political intervention* that provides resources or institutions that can help people overcome the risk and uncertainty of markets. While there are efforts to remove various impediments to the efficient operation of markets or open up opportunities

[13] See Reich Robert *The Work of Nations* (London, Simon and Schuster, 1991), pp. 23-4 and Will Hutton, *The State We're In* (London, Vintage, 1996), chp 11.
[14] Alex Callinicos, *Against the Third Way* (Cambridge, Polity, 2001), p. 107.

for access to the global-informational economy, these positions do not systematically provide people with entitlements that enable them to avoid vulnerability from the market. While republicanism is not inherently opposed to capitalism, it is opposed to relationships of dominance that can and do develop within deregulated capitalism. High levels of economic growth do not justify an absence of political intervention that provides protection for people who otherwise could be rendered vulnerable to the vacillations of global capitalism. Republicanism holds that the state is a central counter-balance to the insecurity of deregulated capitalism.

Lastly, the mainstream liberal positions examined are *asocial, in that they rest on laws and the outcomes of markets rather that the political activity of citizens.* These accounts rely mostly upon the beneficial outcomes of the markets or the deployment of rights. While laws and rights are necessary, they are not sufficient. There is little sense in the mainstream liberal accounts that the role that people play in the public sphere would have any consequence for how they are governed in respect to global capitalism. The separation of politics from economics is still present even within contractual nationalism. By contrast, the republican response rests on the virtuous conduct of citizens engaged in the civic activity of securing their own liberty by restraining power through public activity. This is a political and social accomplishment not a purely legislative one. This civic conduct is rooted in an expanded and socially institutionalised sense of common weal: individual interests are best realisable in a field of politics kept free from tyrants and the interests of the powerful. The aim is not just prosperity or the provision of rights, although these are important to the republican legacy. Rather the aim of republican government is the suppression and negation of forms of power that can render people vulnerable. Liberalism is reluctant to engage in this activity in respect to economic affairs.

Cosmopolitan Governance and Republicanism

Cosmopolitan governance demonstrates an increased willingness to intervene in economic affairs, and to do so on a global basis. Cosmopolitan governance, as illustrated by the work of David Held and Richard Falk, faces the global scope of the social consequences of economic globalisation directly. These attempts to institutionalise cosmopolitan values take the view that economic globalisation cannot be accommodated by governance that is localised at the level of the state and/or prioritises neo-liberal conceptions of the market. Cosmopolitan governance argues that good government entails a movement towards a global system of law

and democracy that promotes individual rights across the world and restricts the authority of states. The impetus for this argument is the spatial effect of intense globalisation whereby governments and people are affected by decisions made elsewhere.

The central problem with the account of cosmopolitan governance, particularly within the work of Held, is that contemporary globalisation has consequences that extend beyond merely spatial effect. Contemporary globalisation entails practices and ideas that contain power relations that constrain and shape the substance of social relations not merely the extent or intensity of them. While cosmopolitan governance is clearly aware of the effects of power, *it does not provide or strategically analyse the social grounding of the countervailing public power needed to counteract the realities of power within the context of economic globalisation.* Cosmopolitan governance overstates the possibility of a global community or global public emerging with the necessary sentiment to redistribute resources or jointly regulate transnational capital in accordance with global law.[15] As I suggested in Chapter 6, actually existing liberal democracy within the context of the competition state (let alone the political context of authoritarian or quasi authoritarian regimes) is not a sound foundation upon which to build global democracy. While cosmopolitan governance is limited in the long-term by substantial parts of the world that may be hostile to cosmopolitan values and governance, in the short-term neo-liberal governance poses a serious impediment to the development of the norms and practices of cosmopolitanism. Undoing the logic and practices involved with the competition state and cultivating citizenship are therefore prerequisites to enacting cosmopolitan governance. Ultimately, cosmopolitan governance that contains the solidarity needed to underpin global democratic law capable of moderating economic globalisation is much more difficult to develop than political cosmopolitans acknowledge. While the potential of cosmopolitan governance beckons at the horizon, the rocks of neo-liberal globalisation await underfoot. There is a step missing.

The approach of global civic republicanism addresses this step directly. It does so by focusing on reforming the competition state into a civic state both from below, through the action of citizens, and from above, in the shape of multilateral action by those states motivated by the idea of obtaining the sense of security and public control that underpins the republican conception of politics. While republicanism shares the cosmopolitan objection to the market driven nature of neo-liberalism and recognises the need to act within a global context it does

[15] Jurgen Habermas, *The Postnational Constellation* (Cambridge, Polity Press, 2001), pp. 108-9.

not share the desire to enact a universal global regime aimed at the realisation of individual rights. Essentially global civic republicanism stems from a different historical body of thought than cosmopolitanism. As such while there are certain sympathies between cosmopolitanism and republicanism,[16] the differences are sufficient to be wary of attempts to conflate the two political projects.

The republican argument against the viability of cosmopolitan governance is that it does not address or possess the power needed to counter-balance the power that infuses contemporary globalisation. The protection provided to individuals by cosmopolitan governance stems from the legal rights and redress provided by cosmopolitan law. The republican assertion that I have articulated rests on the idea that something more than abstract laws are required. Publicly directed power, that is, government structured around protecting the liberty particular to a given society, is essential to protection from the power exercised by economic globalisation. Thus, states can provide a context domestically and globally that is sensitive to vulnerability and is empowered to counter-balance this vulnerability without resorting to the convolution of cosmopolitan democratic law. From the republican point of view, the public sentiment that stems from cosmopolitan governance is problematic for a series of interlocking reasons.

The first problem facing the public sentiment stemming from cosmopolitan governance is that it is inherently abstract. The elaborate transformation in public sentiments and institutions that is sought by cosmopolitan governance may seem attractive given the scale and significance of global problems of economic globalisation. After all, cosmopolitan governance seeks to narrow the authority of the state and broaden the political loyalties of its citizens. However, the shift away from states to a universal and global authority – to follow the extent of human and market interactions – does not build upon existing institutions and sentiments, nor does it automatically address the social solidarity and legitimacy needed to empower institutions able to protect individuals from prevailing forms of power.[17] The republican counterpoint is not just that this transformation is unnecessary because states can (and do) cooperate on matters without a cosmopolitan framework.[18] Rather, the republican perspective is that "free institutions are not a bright idea that can be dreamed up and voted in: they must

[16] See James Bohman, "Cosmopolitan Republicanism" *The Monist*, Volume 84, Number 1, January 2001, and R.B.J Walker, "Citizenship after the Modern Subject" in Kimberly Hutchings and Roland Dannreuther (eds.), *Cosmopolitan Citizenship* (Basingstoke, Macmillan, 1999)
[17] David Miller, "Bounded Citizenship", p. 70.
[18] See Michael Saward, "A Critique of Held" in Barry Holden (ed.), *Global Democracy: Key Debates* (Routledge, London, 2000), Stephen Neff, "International Law and the Critique of Cosmopolitan Citizenship" in Kimberly Hutchings and Roland Dannreuther (eds.), *Cosmopolitan Citizenship* (Basingstoke, Macmillan, 1999)

expand upon or restore some traditional institution".[19] In contrast to the dramatic shift in authority and sentiment required by the approach of cosmopolitan governance, global civic republicanism seeks to enhance and build upon existing sentiments and structures. As such, there is strong element of pragmatism in global civic republican approach. It seeks to build upon the existing foundation by reworking the already existing nature of the state and the collaboration of states rather than enact a new global system of governance. In a sense, I follow David Hume's warning of circumspect transformation; that "it is not with forms of government, as with other artificial contrivances; where an old engine may be rejected".[20]

The second problem is the functional nature of the public arising from cosmopolitan governance's emphasis on the role of NGOs as well as regional and global layers of governance. This functional approach to political association is evident within Held's model of cosmopolitan democracy, where people engage in political practice on various levels of governance according to whether the issue at hand affects them.[21] By contrast, republican practice entails the social process of people collectively creating a form of public power that is aimed at upholding their common interests on an ongoing basis. While falling short of an inward looking community or a defence of nationalism, republicanism is defined by a historically shaped sense of common responsibility for the state by its citizens. This ongoing activity creates what Michael Saward refers to as a "baseline unit" that is foundational and not merely functional.[22] I use the term foundational because it suggests that other forms of governance may be built on top of this 'level' of governance as well as suggesting that the civic state is a foundation in terms of being *the* legitimate public authority. While republicanism supports the practice of NGOs (as well as regional and global layers of governance), it does not see these organisations as being the foundation of non-domination.[23] To produce a context in which power is restrained, government must be publicly developed through avenues of contestatory democracy and a responsible patriotic citizenry. The ongoing responsibility of citizenship is a crucial foundation for republican global governance.

---

[19] Bernard Crick's analysis on p. 42 in Niccolò Machiavelli, *The Discourses*, tr. Leslie Walker, ed. Bernard Crick, (London, Penguin Books, 1998), See Niccoló Machiavelli, pp. 175-6.

[20] David Hume, "Idea of a Perfect Commonwealth" in Knud Haakonssen (ed.), *David Hume: Political Essays* (Cambridge, Cambridge University Press, 1994), p. 221.

[21] See Michael Saward, "A Critique of Held", pp. 33-5 and David Miller, "Bounded Citizenship", p. 76.

[22] Michael Saward, "A Critique of Held", pp. 36-7.

[23] While NGOs are indispensable to enacting politics and civic life within and beyond the state, and indeed may pressure governments in various productive ways, such organisations are not sufficient to developing non-domination. Ultimately only governments can provide the public counter-balance to the forces inherent in politics at a local and global. As an alternative to cosmopolitan governance, global civic republicanism is founded on the premise that it is a mistake to neutralise the authority and capacity of the state and expect NGOs to promote non-arbitrary protection against domination.

This attitude of the public construction of governance is central to republicanism in the sense that practices of contestation and delegation require citizens to see themselves as shapers of their state and global governance. If citizens relate to their government and state in a republican sense, and take public responsibility seriously and attempt to develop institutional forms to minimise domination, then they will create a distinctive ethical context for future governance. Not only will this change the context of domestic politics by putting more responsibility into citizens' hands and making public negotiation a more definite act; a republican ethos will also alter the manner in which states relate to each other.[24] Global civic republicanism seeks to establish non-domination by citizens disciplining public power that is founded in as close proximity to them as possible but delegated as far as required to ensure this civic liberty. Ultimately, republicanism is founded on a pragmatic sense of security realised by a collective and ongoing responsibility for publicly directed power starting with the state rather than constituencies that ceaselessly shift according to the issue.

Another problem for cosmopolitan governance, stemming from the two previous problems, is that the authority arising from such a structure is intangible and removed from citizen oversight. Cosmopolitan governance takes an Archimedean and dispassionate starting point for authority in the shape of cosmopolitan law. As Anthony McGrew maintains, cosmopolitanism is defined by the principle of "heterarchy" which entails a "divided authority system subject to cosmopolitan democratic law" rather than hierarchy.[25] However, while cosmopolitan governance has a bottom up argument, particularly in Falk's conception of 'globalisation from below',[26] this is the source of resistance not authority. The actual redress to this discontent comes from above in the form of a structure of global authority. From a republican perspective there are concerns that if cosmopolitan governance were to be too strong, it could become a tyrannical centralised power. If it were too weak or abstract, it will not stimulate citizens to act in ways to address the power of transnational capital or other highly organised and diffused networks of interest and or power, thereby allowing private

[24] The values and norms that constitute the state would also help to constitute global politics and shape the actual exercise of sovereignty on the global stage. As a result, institutions developed by republican states would tend towards the ideas of negotiation and compromise rather than competition and conflict in the constitution of global politics. For an analysis of the ways domestic social practices shape the behaviour of the state see Deudney, "Binding Sovereigns", pp. 205-209.

[25] Andrew McGrew, "Democracy Beyond Borders? Globalization and the Reconstruction of Democratic Theory and Politics" in Andrew McGrew (ed.), *The Transformation of Democracy* (Cambridge, The Open University, 1997), p. 250.

[26] Richard Falk, "Resisting 'Globalisation-from-above" Through 'Globalisation-from-below' *New Political Economy*, Vol. 2, No. 2 March 1997.

forms of power to reign. By contrast, global civic republicanism seeks to build authority from the bottom up in the sense that the reconstruction of civic ethics and structures that seek to constrain power within the state will ascend into higher layers of governance. As Chapter 7 established, the delegation of authority within the account of global civic republicanism is animated by the purpose of achieving security. As such the structure is aimed at developing a context of "negarchy".[27] While republicanism seeks to invigorate the responsibility and passions of citizenship, the republican design of suppressing power and threats to security cannot stop at the borders of the state.[28]

For cosmopolitan governance, multi-level governance constitutes different levels whereby people affected by an issue can influence the issue. For global civic republicanism, the global infrastructure of multi-level governance would be an ongoing construction aimed at obtaining security that *augments* rather than replaces the civic state. However, to create a global design that checks forms of private power, complex levels of governance will be crucial to managing the delegation of popular sovereignty.[29] Global civic republicanism suggests that civic states can build upon the forms of multilateral governance that have been aptly if not unevenly demonstrated within the context of economic globalisation.[30] In addition, the European Union has developed into a potential hope as to the ways citizens can discipline and transform multiple levels of governance and their state.[31] Thus while there are multiple levels of

---

[27] Deudney, "Binding Sovereigns", p. 205.

[28] Despite some points of overlap, cosmopolitan governance and global civic republicanism have differing moral purposes. For cosmopolitan governance, the ultimate source of authority is a global constitution that articulates the principle of a 'common structure of political action'. This structure of action is directed by the *"ethic of democratic autonomy"* that provides universal inclusion for people affected by a decision or activity occurring anywhere within the global democratic framework (McGrew, "Democracy Beyond Borders", p. 254 italics added). By contrast, global civic republicanism locates authority in civic states that are empowered by the delegated sovereignty of their citizens. The delegation of popular sovereignty through the state and into interstate agreements is animated by an *ethic of security* understood to mean an absence of vulnerability. Ultimately, republicanism is founded on a pragmatic sense of self protection realised by a collective and ongoing responsibility for publicly directed power starting with the state.

[29] The global dimension of republicanism emphasises that the state has a distinct position within the forms of multi-level governance that constitute global politics. In one sense we must be wary of the 'new medievalism' that Susan Strange and Hedley Bull warned of because powerful private interests ultimately hold sway in this context (see Susan Strange, *Retreat of the State* (Cambridge University Press, Cambridge, 1996), pp. 196-8 and Hedley Bull, *The Anarchical Society* Second Edition (London, Macmillan Press, 1995 [1977]), p. 275).

[30] In this sense contemporary global governance and neo-liberal governance are instructive in the development of agreements and organisation able to govern the minutiae needed to facilitate the complex interaction between states in relation to global environmental governance for instance. Ironically, on matters of economic governance at least, neo-liberal governance has shown the type of complexity possible of global governance if a common normative and institutional formation is developed.

[31] See Richard Bellamy and Alex Warleigh, "From an Ethics of Integration to an Ethics of Participation: Citizenship and the Future of the European Union" *Millennium* Vol. 27, No. 3, 1998 and Richard Bellamy and Dario Castiglione, "Between Cosmopolis and Community: Three Models of Rights and Democracy within the EU" in Daniele Archibugi, et al. (eds.), *Re-Imagining Political Community* (Cambridge, Polity, 1998)

governance that the state is enmeshed in, the purpose of this governance ought to be clearly aimed at enhancing opportunities for the state to protect its citizens.

Ultimately, it is my contention that while there is the exercise of global politics, there is no global public. There is no sense of wider patriotism that motivates a "thick" sense of global solidarity and reciprocity,[32] or that encourages people to think beyond their own personal interests.[33] There is no love of the UN, let alone the WTO. Ultimately, a place that is kept free from insecurity and vulnerability requires more than activists or policy-makers. It needs broad participation and a passionate sense of political involvement and consideration by citizens participating to enact their own liberty. Clearly, virtuous citizenship and political involvement is not being exercised in democracies around the world. Global civic republicanism seeks to overturn this civic disengagement by asserting that the dominion of economic globalisation ought to provoke civic re-engagement. The chances are greater of mobilising people in the states in which they live to develop virtuous public involvement than developing such virtue in a larger and much more abstract context devoid of the history and "familiar life-ways" that can mobilise commitment and citizenship.[34] As Falk asserts,

> citizens are now being challenged to reconfigure the outmoded dichotomy between undifferentiated patriotism and cosmopolitanism. If this challenge is met, the vitality of traditional patriotism can be restored, but only on the basis of extending ideas and practices of participation and accountability to transnational sites of struggle.[35]

This is certainly right but it understates the important struggles to develop the ethics of political responsibility within the state that motivates people to entrust considerable power to the state. Clearly, we need to avoid this 'outmoded dichotomy' and be wary of patriotism and indeed nationalism, but we should not overlook the desire of people to create their own political responses to economic globalisation via public control of the state. While I concur with Falk in regards to the "common commitment" between patriotism and cosmopolitanism to create a "humane state",[36] and ultimately a humane world, I think the only feasible route is through *enhancing patriotism and the civic concern for arbitrary power* rather than enhancing

---

[32] Michael Walzer, *Thick and Thin*, p. 8. See also Benjamin Barber, "Constitutional Faith" in Martha Nussbaum (ed.), *For Love of Country* (Boston, Beacon Press, 1996) and Miller, "Bounded Citizenship", pp. 72-7.
[33] Miller, "Bounded Citizenship", p. 77.
[34] Walzer, *Thick and Thin*, p. 8.
[35] Richard Falk in "Revisioning Cosmopolitanism" in Martha Nussbaum (ed.), *For Love of Country* (Beacon Press, Boston, 1996), p. 60.
[36] Falk, "Revisioning Cosmopolitanism", p. 60.

cosmopolitanism. Nevertheless, a cosmopolitan awareness is clearly important to enabling globally astute citizens to be able to conduct civic activity that enacts a global concern for arbitrary power.

Consequently, global civic republicanism directly addresses the shortcomings in cosmopolitan governance. It fills in the missing step within cosmopolitan governance by asserting the importance of citizens collectively wielding the public power of their state in order to ward off vulnerability and insecurity without resorting to inward looking nationalism or chauvinism. Republicanism, in contrast to cosmopolitan governance, sees the state as essential to the construction of liberty. That this public accomplishment develops within a broader structure of governance does not validate the potential of a cosmopolis able to provide non-domination or authorise a 'global republic' in the foreseeable future. The objective of global civic republicanism is to articulate an alternative to neo-liberalism and economic globalisation that unravels the competition state and neo-liberal governance and replaces them with politics in a broader sense that is aimed at negotiation and the construction of non-domination. Such an environment would still be globalised, but global capitalism would be tempered by common rules that would govern such a world with the aim of enabling citizens to construct a civic liberty through a state that protects them from domination. Such an environment would promote a vision of liberty that wards off vulnerability, increases rather than decreases equality and allows democracy and civil society to flourish. In short, global civic republicanism would promote a liberty that directly addresses the social exclusion and insecurity evident within contemporary globalisation.

Constructing Global Civic Republicanism

The argument that civically minded states should cooperate to moderate the social consequences of economic globalisation is open to the charge that as desirable as it may be it will be unattainable. While this dissertation has addressed the type of government required to moderate the social exclusion of economic globalisation, it is only one step in a broader endeavour. Further research is required to fully spell out the policy detail and the political economic ramifications of a republican argument within a global context, especially in the developing world. One certainty is that global civic republicanism aims at a sense of security

that falls far short of a socialist argument.[37] The republican goal is a pragmatic shift from privileging private interests to protecting public ones. After all, the shift from embedded liberalism to neo-liberalism demonstrates that there are many forms of capitalism and that ideas and social forces do change. The possibility that publicly directed principles could reconstruct the rules under which global commerce would operate is the possibility that the approach of global civic republicanism seeks to act out – not just in theory but in actual politics within advanced capitalist states as well as states in the developing world.[38]

As such, global civic republicanism cannot 'come from above' – it must ultimately come from below by citizens who are either threatened by, or uncomfortable with, economic globalisation. However, the account of global civic republicanism departs from the assertion that 'globalisation from below' would be a largely organic, natural reaction to neo-liberalism. The reliance on politics that stems from the republican inspiration of this account also colours the transition from economic globalisation to a world shaped by civic states. William Everdell notes that republicanism requires a design that does not stem from one person; ultimately, "*people* have to do it in the end".[39] I concur with Habermas' assertion that the first actors in the "re-regulation of world society" will not be "governments but citizens and citizens' movements".[40] However, rather than enacting global democracy, the objective would be to reframe existing institutions beginning with the state. Rather than being a spontaneous or natural process, the transnational political action of those from below will have to be premeditated, organised and disciplined.

---

[37] Republicanism does not see politics as a transition to socialism even if there are some points of overlap with social democratic positions. For socialist arguments see Manfred Bienefeld, "Is a Strong National Economy a Utopian Goal at the End of the Twentieth Century?" in Robert Boyer and Daniel Drache (eds.), *States Against Markets* (London, Routledge, 1996), pp. 415-6. For other socialist arguments see Manfeld Bienefeld, "Capitalism and the Nation State in the Dog Days of the Twentieth Century", *The Socialist Register*, 1994, Callinicos, *Against the Third Way* and Kim Moody, *Workers in a Lean World* (London, Verso, 1999)

[38] Global civic republicanism offers broader reasons for non-western societies to embrace it than neo-liberalism or cosmopolitan governance. First, in embracing non-domination via a state directed by its population it goes further towards dismissing notions of neo-colonialism or imperialism. Second, global civic republicanism accepts that particular historical relationships are experiences that can be built upon – that particular cultural relationships are ongoing practices – not practices set in stone. The acceptability of some cultural or national traditions is a problem for republicanism as much as for liberalism but can be addressed by practical procedures and negotiation rather than the institution of universal principles. The desire to control the state within a broader global context stems from a public desire to obtain a resilient sense of security that will disturb dictators and entrenched oligarchies. Ultimately non-western societies face the pressing need to reconcile the social costs of economic globalisation even more so than western societies. Global civic republicanism provides grounds for the moderation of economic globalisation via political processes within these countries and at a global level within a system of global governance that provides more dependable forms of development assistance and economic regulation.

[39] William Everdell, *The End of Kings* (New York, The Free Press, 1983), p. 12. Emphasis added.

[40] Habermas, *The Postnational Constellation*, p. 112.

The resistance to economic globalisation and neo-liberalism that began across the world during the late 1990s offers hope of such political protest that could transform global politics. This resistance was characterised by interactions between international agencies (most notably the WTO and G8) and social movements and mass protest,[41] in Seattle and other cities around the world. The defining feature of the protests against economic globalisation was the array of causes present: from socialists and anarchists to unions and green groups. The essential question in the development of this form of diverse resistance is whether it will lead to "the creation of new, ethical, and democratic political institutions and forms of practice"?[42] Can the global protest movement take on a more solid form? Stephen Gill has asked this question whilst arguing that the global protest movement is a "postmodern transnational political party".[43] By this he means that the global protest movement is taking on the political agency not just of education of the problems but also the enactment of alternatives, despite the diversity of interests embodied within this movement.[44] Gill does not necessarily mean that the movement is moving towards a phase of institutionalisation but he does mean that this resistance is taking on a distinctive realisation of a "collective will".[45] But can all interests within the global protest movement be accommodated in the construction of an alternative to economic globalisation? While Gill uses the term "party" in his notion of a "postmodern transnational political party" figuratively rather than literally, he is nevertheless seeking to emphasise the planned agency needed to counteract neo-liberal forms of political organisation. Strategic action is required not just to change public notions of common sense but to also overturn institutions in which these notions operate.

The argument that stems from republicanism is that while the protest movement against economic globalisation is central to reshaping global politics away from neo-liberal globalisation it is not sufficient to create an alternative. A republican critique of the protest movement would claim that it is too concentrated on the operations of bodies like the IMF and not focused enough on the important role states have played in promoting neo-liberalism. In other words, resistance to neo-liberalism ought to concentrate on transforming the ethics that shape states. As such, the next step of transnational action ought to be the domestic transformation of states towards the republican goals of an active citizenry, a state focused on

---

[41] Stephen Kobrin, "The MAI and the Clash of Globalisations" *Foreign Policy*, N 112, Fall 1998, Jan Aart Scholte, "Cautionary Reflections on Seattle" *Millennium*, Vol. 29 No. 1, 2000 and Stephen Gill, "Toward a Postmodern Prince? The Battle in Seattle as a Moment in the New Politics of Globalisation" *Millennium*, Vol. 29 No. 1, 2000.
[42] Gill, "Toward a Postmodern Prince", p. 139.
[43] Gill, "Toward a Postmodern Prince", p. 140.
[44] Gill, "Toward a Postmodern Prince", p. 131.
[45] Gill, "Toward a Postmodern Prince", p. 140.

the public good of its citizens and the desire to co-operate globally for these ends. The means of this process are likely to require continued forms of protest. However, while it must be acknowledged that the legacy of republicanism has been associated with forms of violent protest and revolution, these forms of action are not the only (or best) way to develop a society based on negotiation and public responsibility. The idea of global civic republicanism is based on the realisation that liberty as non-domination is superior because it de-legitimates privileged private interests and promotes the global development of human security. Liberty of this sort secures the liberty of everyone, even if it does run against the self-interest of those who seek to perpetuate their unrestrained power. A strong sense of self-protection accompanies the public regulation of capitalism and other forms of globalisation. This circumspect motive can only be realised through a state designed to obtain a civic liberty. However, this liberty can only be developed through public responsibility and wider forms of co-operation with other states sharing the goal of restraining the capricious power of transnational economic actors. Thus, public protest is only one edge of an ongoing desire to bring global capitalism under a sense of public discipline. Republicanism of this 'gas-and-waterworks' kind comes from public design not solely by public agitation.

How then is the pragmatic moderation promised by global civic republicanism going to achieve the regulation of capitalism? While global civic republicanism may involve forms of public protest, the main source of public change will come from an involvement in electoral politics.[46] Shifting states from neo-liberalism will require political parties willing to endorse the importance of citizenship, civic liberty and the global regulation of capitalism. These political parties can only be cultivated by groups who are willing to develop movements able to promote and deliberate upon republican concerns both locally and globally. While it falls short of promoting a global common good or the end of the state, a republican could well argue for a global social movement operating through state-based political parties to establish the principle of a 'rising tide' of regulatory reform over global capital through the state. This is the only realistic method of developing republican policies and shifting the ethics of the state away from neo-liberalism. The goal of securing civic states via transnational political action is the best we can hope for in the immediate future if the regulation of capitalism by the state is to be achieved.

---

[46] Jurgen Habermas asserts the importance of political parties to be both "forward thinking" and to operate beyond the "national scale". While Habermas is thinking about European politics, he does see the possibility of a "cosmopolitan scale". Habermas, *The Postnational Constellation* p. 112.

There is no mystery or sleight of hand here. Global civic republicanism will only come from citizens who engage in the political act of developing practical ways to enact non-domination, beginning with the regulation of global capitalism. While it could be said that this political process would be a slow and tortuous one of developing a critical mass of civic states (and the global republican infrastructure), economic globalisation and the domination it imparts *can be seen to provide the spur for this civic involvement and interaction.* In addition, there is the realisation that moderating insecurity (whether due to deregulated capitalism or not) is in the interests of everybody, because in a globalised world vulnerability in one part of the world can have rapid and severe ramifications elsewhere. Enabling people to be protected by a state over which they have control is crucial to achieve the republican sense of liberty. The construction of civic activity that seeks to develop public power to restrain global capitalism rests on the observation that no one individual and no one state can restrain the adverse effects of global capitalism. Nevertheless, by working together, citizens and their states can develop a Lilliputian public response that curtails the insecurity and domination inherent in unrestrained capitalism.

Conclusion

This dissertation seeks to contribute to the debate as to how we should govern within a globalising context. This contribution rests on a praxelogical approach that critically examines the ethics that underpin global politics along with the potential alternatives to prevailing forms of governance. I have provided an ethical foundation for an alternative form of governance to neo-liberal governance. This form of governance, global civic republicanism, is critical, realistic and pragmatic. It is *critical* in the sense that it does not take the world of economic globalisation as a given, and has sought to undermine this 'reality' by questioning how it came into existence and in whose interests it is maintained.[47] My proposal is also *realistic* in the sense that it recalls Machiavelli's warning to remember 'what is actually done for what'. This entails taking power to be an unavoidable and crucial part of life that needs to be vigilantly checked and balanced in order to protect public interests. As such, the utilisation of public power and the goal of civic liberty are necessary in order to obtain other more edifying goals. The proposal of global civic republicanism is also tempered by *pragmatism*. While developing 'gas-and-waterworks' republicanism in a globalising context is a complex task, I do not consider that global civic republicanism is revolutionary because it is consistent with the sentiments and

[47] Cox, Robert (with Sinclair, Timothy), *Approaches to World Order* (Cambridge, Cambridge University Press, 1996), p. 90.

interests of many people around the world. It is also sympathetic with many strands of liberalism and socialism that are concerned with human welfare. That arguing for regulation in the public weal might be considered radical is testament to the sway of the current ideological context where unfettered capitalism and private interests reign. Global civic republicanism provides an ethical basis from which to regulate global capitalism and promote citizens' long-term protection in respect to *dominium*.

This dissertation has maintained that transnational capital is a social force that is directly and indirectly guiding governments and global institutions towards the ethico-political configuration we now experience as economic globalisation. This frame of governance allows and creates significant social problems, leaving vulnerable people around the world at the mercy of political and economic structures that their governments either cannot or will not control. This challenges liberalism to address the ethical and practical consequences of a world organised along these lines. Within this dissertation's hierarchy of critique the harshest criticism levelled here is at neo-liberal governance and extended neo-liberalism. These approaches ultimately leave people, especially the weakest, open to the insecurity and arbitrary exercise of power. In an era of transnational capital, and the forms of governance that are required for market driven types of economic organisation, the effects of power are considerable; *dominium* from market forces has deepened even in those countries largely protected from the *imperium* of the state. Next within this hierarchy is the position of contractual nationalism. Whilst an improvement upon neo-liberal governance, it moves insufficiently away from these ideas to provide a viable response to the social dislocation of economic globalisation. While advancing high technology capitalism may address some of the social effects of economic globalisation in advanced capitalist states, it leaves many people within and beyond this privileged part of the world to their own devices. Last in the hierarchy is cosmopolitan governance. While this liberal alternative assumes a position that is critical of neo-liberalism and economic globalisation it fails to proffer an alternative frame of governance that is empowered sufficiently to be a plausible alternative to the dominion of neo-liberal governance.

By contrast, global civic republicanism takes power more seriously. People can only seek to address a world where powerful private interests dominate by reference to a countervailing power that is publicly designed and directed. As Susan Strange claims,

> what is lacking in the system of global governance... is an opposition. To make authority acceptable, effective and respected, there has to be some combination of forces to check the arbitrary or self-serving use of power and to see that it is used at least in part for the common good.[48]

This dissertation has furnished the argument that the state is the paramount source of this opposition – so long as it is animated by the republican ethic of non-domination and the republican practice of citizens taking responsibility for their state. We can only face a world with sev[illegible]els of inequality and powerlessness by reference to an understanding of liberty that identifies such vulnerability and provides the moral reason to act upon this condition via public action. The neo-roman strand of republicanism provides the historical legacy for such governance. Global civic republicanism builds upon this legacy and provides a rationale to regulate transnational capital globally in ways that do not follow the socialist path of ending capitalism but instead seeks to enable states to enact civic liberty. Such liberty is defined by a sense of security that directs the state to protect people from avoidable vulnerability and thus moderate the adverse social consequences of economic globalisation.

[48] Strange, *Retreat of the State*, p. 198.

BIBLIOGRAPHY

Adler, Emanuel and Crawford, Beverly (eds.), *Progress in Postwar International Relations* (New York, Columbia University Press, 1991)

Annan, Kofi, "A Compact for the New Century" at the World Economic Forum, Davos, on 31 January 1999. <http://www.un.org/partners/business/davosr> (accessed on the 12/11/00)

Anderson, Benedict, *Imagined Communities* (London, Verso, 1991)

Archibugi, Daniele et al. (eds.), *Re-imaging Political Community; Studies in Cosmopolitan Democracy* (Cambridge, Polity, 1998)

Archibugi, Daniele and Held, David, "Editor's Introduction" in Archibugi, Daniele and Held, David (eds.), *Cosmopolitan Democracy* (Cambridge, Polity Press, 1995)

Archibugi, Daniele and Held, David (eds.), *Cosmopolitan Democracy* (Cambridge, Polity Press, 1995)

Aristotle, *The Politics* (Harmondsworth, Penguin, 1986)

Axtmann, Roland, *Liberal Democracy into the Twenty First Century: Globalisation, Integration and the Nation-state* (Manchester, Manchester University Press, 1996)

Axtmann, Roland (ed.), *Globalisation and Europe* (London, Pinter, 1998)

Bacevich, Andrew, "Policing Utopia; The Military Imperatives of Globalization" *The National Interest* No. 56, Summer 1999: 5-13.

Barber, Benjamin, *Jihad vs Mc World* (New York, Ballantine Books, 1996)
_____ "Constitutional Faith" in Nussbaum, Martha (ed.), *For Love of Country* (Boston, Beacon Press, 1996)
_____ "Democracy at Risk" *World Policy Journal*, Volume XV, Summer 1998: 29-41.

Barlow, Maude and Clarke, Tony, *The MAI and the Threat to American Freedom* (New York, Stoddart, 1998)

Barnett, Michael, 'The New United Nations Politics of Peace: From Juridical Sovereignty to Empirical Sovereignty', *Global Governance*, Vol. 1, No. 1, 1995: 79-97.

Barry, Andrew et al (eds.), *Foucault and Political Reason* (London, University of Chicago Press, 1996)

Baylis, John and Smith, Steve (eds.), *The Globalization of World Politics* (Second Edition), (Oxford, Oxford University Press, 2001)

Bayne, Nicholas, "The G7 Summit and the Reform of Global Institutions" *Government and Opposition* 30, No. 4, Autumn 1995; 492-509.

_____ "The G8 and the Globalisation Challenge" London School of Economics and Political Science 2000 <http://www.g7.utoronto.ca/g7/scholar/bayne20000713/> (Accessed on the 4th of January 2002)

Bellah, Robert et al, *Habits of the Heart* Updated Edition (Berkeley, University of California Press, 1996)

Bell, Stephen, *Ungoverning the Economy, The Political Economy of Australian Economic Policy* (Oxford, Oxford University Press, 1997)

Bell, Stephen and Head, Brian (ed.), *State, Economy and Public Policy in Australia* (Melbourne, Oxford University Press, 1994)

Bellamy, Richard, *Liberalism and Modern Society* (Pennsylvania, Pennsylvania State University Press, 1992)
_____ *Liberalism and Pluralism* (London, Routledge, 1999)
_____ *Rethinking Liberalism* (London, Pinter, 2000)
_____ "'The Right to Have Rights': Citizenship Practice and the Political Constitution of the European Union", Paper Delivered at the European University Institute on the 20th of November 2000.

Bellamy, Richard and Castiglione, Dario, "Between Cosmopolis and Community: Three Models of Rights and Democracy within the EU" in Archibugi, Daniele, et al. (eds.), *Re-Imagining Political Community*, (Cambridge, Polity, 1998)

Bellamy, Richard and Warleigh. Alex, "From an Ethics of Integration to an Ethics of Participation: Citizenship and the Future of the European Union" *Millennium* Vol. 27, No. 3, 1998: 447-470.

Beiner, Ronald, "What Liberalism Means", in Frankel, Ellen et al (eds.), *The Communitarian Challenge to Liberalism* (Cambridge, Cambridge University Press, 1996)

Beitz, Charles, *Political Theory and International Relations* (Princeton, Princeton University Press, 1979)
_____ "International Liberalism and Distributive Justice", *World Politics*, 51, January, 1999:269-96.
_____ "Social and Cosmopolitan Liberalism" *International Affairs*, Vol. 75, No. 3, 1999: 515-529.

Berlin, Isiah, *Two Concepts of Liberty* (Oxford, Oxford University Press, 1958)

Bennedetti, Fanny and Washburn, John, "Drafting the International Criminal Court Treaty: Two Years to Rome and an Afterword on the Rome Diplomatic Conference" *Global Governance*, Vol. 5, No. 1, 1999:. 1-37.

Bienefeld, Manfeld, "Capitalism and the Nation State in the Dog Days of the Twentieth Century", *The Socialist Register*, 1994: 94-129.
_____ "Is a Strong National Economy a Utopian Goal at the End of the Twentieth Century?" in Boyer, Robert & Drache, Daniel (eds.), *States Against Markets* (London, Routledge, 1996)

Biersteker, Thomas, "The 'Triumph' of Neoclassical Economics in the Developing World: Policy Convergence and Bases of Governance in the International Economic Order" in Rosenau, James and Czempiel, Ernst (eds.), *Governance without Government: Order and Change in World Politics* (Cambridge, Cambridge University Press, 1992)

Billig, Michael, *Banal Nationalism* (London, Sage, 1995)

Blair, Tony, "Doctrine of the International Community" Speech by the UK Prime Minister April 22, 1999 <http://www.globalpolicy.org/globaliz/politics/blair.htm> (Accessed on 20th October 2001)

Bobbio, Noberto, *The Future of Democracy* (Cambridge, Basil Blackwell, 1987)

Bock, Gisela et al (eds.), *Machiavelli and Republicanism* (Cambridge, Cambridge University Press, 1990)

Bohman, James "Cosmopolitan Republicanism" *The Monist*, Volume 84, Number 1, January 2001: 3-21.

Boyer, Robert, "State and Market" in Boyer, Robert and Drache, Daniel (eds.), *States Against Markets* (London, Routledge, 1996)

Boyer, Robert and Drache, Daniel, "Introduction" in Boyer, Robert and Drache, Daniel (eds.), *States Against Markets* (London, Routledge, 1996)

Boyer, Robert and Drache, Daniel (eds.), *States Against Markets* (London, Routledge, 1996)

Boyer, Robert and Durand, J P, *After Fordism*, (London, Macmillan Press, 1997)

Braithwaite, John and Pettit, Philip, *Not Just Deserts* (Oxford, Oxford University Press, 1990)

Brown, Chris (ed.), *Political Restructuring In Europe* (London, Routledge, 1994)

Brugger, Bill, *Republican Theory in Political Thought, Virtuous or Virtual?* (London, MacMillan Press, 1999)

Bryan, Dick, "Australian Economic Nationalism: Old and New", *Australian Economic Papers* V30 (56), 1991: 290-307.

Buchanan, James, *Constitutional Economics* (Oxford, Basil Blackwell, 1991)

Bull, Hedley, *The Anarchical Society* Second Edition (London, Macmillan Press, 1995 [1977])
_____ "The States Positive Role in World Affairs", *Daedalus* Vol. 108, 1979: 111-23.

Burchell, Graham et al (eds.), *The Foucault Effect; Studies in Governmentality* (London, Harvester Wheatsheaf, 1991)

Buergenthal, Thomas, "The Normative and Institutional Evolution of International Human Rights" *Human Rights Quarterly* 19.4,1997: 703-723.

Burke, Edmund, *Reflections on the Revolution in France* (Harmondsworth, Penguin, 1968[1790])

Cable, Vincent, "The Diminished Nation-State: A Study in the Loss of Economic Power" *Daedalus,* Volume 124, n 2 Spring 1995: 23-53.

Callinicos, Alex, *Against the Third Way* (Cambridge, Polity, 2001)

Camilleri, Joesph and Falk, Jim, *The End of Sovereignty?* (Aldershot, E Elgar, 1992)

Campanella Miriam, "The Effects of Globalisation and Turbulence on Policy-Making Processes" *Government and Opposition* V28 1993: 190-205.

Capling, Ann and Crozier, Michael, "Broken on the (Roulette) Wheel", *Arena Magazine*, 25, October-November 1996.

Cardoso, Fernando, "North-South Relations in the Present Context: A New Dependency?" in Carnoy, Martin et al (eds.) *The New Global Economy in the Information Age: Reflections On Our Changing World* (Pennsylvania, Pennsylvania University Press, 1993)

Carnoy, Martin and Castells, Manuel, "Globalization, the Knowledge Society, and the Network State: Poulantzas at the Millennium", *Global Networks* 1, 1, 2001: 1-18.

Carnoy, Martin et al (eds.) *The New Global Economy in the Information Age: Reflections On Our Changing World* (Pennsylvania, Pennsylvania University Press, 1993)

Castells, Manuel, *The Economic Crisis and American Society* (Princeton, Princeton University Press, 1980)

_____ *The Informational City* (Oxford, Blackwell, 1989)

_____ "The Informational Economy and the New International Division of Labor" in Carnoy, Martin et al (eds.), *The New Global Economy in the Information Age: Reflections On Our Changing World* (Pennsylvania, Pennsylvania University Press, 1993)

_____ *The Rise of the Network Society, Vol I of The Information Age: Economy, Society and Culture*, (Oxford, Blackwell, 1996)

_____ *The Power of Identity, Vol II of The Information Age: Economy, Society and Culture*, (Oxford, Blackwell, 1997)

_____ *End of the Millennium, Vol III of The Information Age: Economy, Society and Culture*, (Oxford, Blackwell, 1997)

_____ "Informational Capitalism and Social Exclusion" at <http://www.unrisd.org/engindex/publ /news/19eng/castnews.htm> (accessed on the 1st of November 1999)

Castells, Manuel and Henderson, Jeffrey, "Techno-economic Restructuring, Socio-political Processes and Spatial Transformation: a Global Perspective" in Henderson, Jeffrey and Castells, Manuel (eds.), *Global Restructuring and Territorial Development* (London, Sage, 1987)

Castells, Manuel and Hall, Peter, *Technopoles of the World* (London, Routledge, 1994)

Castles, Steven, *Global Workforce, New Racism and the Declining Nation State, Occasional Paper no. 23* Centre for Multicultural Studies, The University of Wollongong October 1990.

Cerny, Philip, *The Architecture of Politics* (London, Sage, 1990)

_____ "The Limits of Deregulation: Transnational Interpenetration and Policy Change" *European Journal of Political Research* V 19, no 2 &3, 1991: 173-201.
_____ "The Infrastructure of the Infrastructure? Toward "Embedded Financial Orthodoxy" in the International Political Economy" in Gills, Barry and Palan, Ronen (eds.) *Transcending the State-Global Divide: The Neostructuralist Agenda in International Relations* (London, Lynne Rienner Publishers. 1994)
_____ "Globalisation and the Changing Nature of Collective Action" *International Organisation* 49, 4, Autumn 1995: 595-625.
_____ "International Finance and the Erosion of State Policy Capacity" in Gummett, Phillip (ed.), *Globalisation and Public Policy* (Cheltenham, Edward Elgar, 1996)
_____ "What Next For the State?" in Kofman, Eleonore & Youngs, Gillian, *Globalisation: Theory and Practice* (London, Pinter, 1996)
_____ "Globalisation and Other Stories: the search for a New Paradigm for International Relations" *International Journal* Volume L1, No 4, Autumn 1996: 615-37.
_____ "Paradoxes of the Competition State: The Dynamics of Political Globalisation", *Government and Opposition*, Vol. 32, n 2, 1997: 251-274.
_____ "Globalisation and the Erosion of Democracy" *European Journal of Political Research* Vol. 36, no. 1, August 1999: 1-25.

Chase-Dunn, Chris, *Global Formation: Structures of the World Economy* (Oxford, Basil Blackwell, 1989)

Chossudovsky, Michel, *The Globalization of Poverty* (London, Zed Books, 1997)

Clinton, Bill, *Between Hope and History* (New York, Random House, 1996)

Cohen, G. A., *If You're an Egalitarian, How Come You're So Rich?* (Cambridge, Harvard University Press)

Commission on Global Governance, *Our Global Neighbourhood* (Oxford, Oxford University Press, 1995)

Conca, Ken, "The WTO and the Undermining of Global Environmental Governance" *Review of International Political Economy* 7:3 Autumn 2000: 484-49[illegible].

Cox, Robert, "Production, the State, and Change in the World Order" in Czempiel, Ernest and Rosenau, James (eds.), *Global Changes and Theoretical Challenges* (Toronto, Lexington Books, 1989)
_____ "Gramsci, Hegemony and International Relations: An Essay on Method" in Gill Stephen (ed.) *Gramsci, Historical Materialism and International Relations* (Cambridge, Cambridge University press, 1993)
_____ "Critical Political Economy" in Hettne, Bjorn (ed.), *International Political Economy; Understanding Global Disorder* (London, Zed Books, 1995)
_____ " A Perspective on Globalisation" in Mittelman, James (ed.), *Globalisation: Critical Reflections* (Boulder, Lynne Rienner, 1996)
_____ (with Sinclair, Timothy), *Approaches to World Order* (Cambridge, Cambridge University Press, 1996)

Crozier, Michel, et al., *The Crisis of Democracy* (New York, New York University Press. 1975)

Czempiel, Ernest and Rosenau, James (eds.), *Global Changes and Theoretical Challenges* (Toronto, Lexington Books, 1989)

Dahrendorf, Ralf, *Life Chances* (London, Weidenfield and Nicolson, 1979)
_____ "The Erosion of Citizenship and its Consequences for us all", *New Statesman*, 12th June 1987, Vol. 113.
_____ "Economic Opportunity, Civil Society and Political Liberty" in Hewitt de Alcantra, Cynthia (ed.), *Social Futures, Global Visions* (Oxford, UNRISD and Blackwell, 1996)

Davis, Mike, *City of Quartz* (London, Verso, 1990)

DeMartino George, "Industrial Policies Versus Competitiveness Strategies: In pursuit of Prosperity in the Global Economy" *International Paper in Political Economy* Volume 3 No. 2 1996: 1-42.

Devetak, Richard and Higgott, Richard, "Justice Unbound? Globalization, States and the Transformation of the Social Bond" *International Affairs* 75, 3, 1999: 483-498.

Dicken, Peter, *Global Shift* (London, Harper & Row, 1986)

Donnelly, Jack, "Human Rights: a New Standard of Civilisation?" *International Affairs* 74, 1, 1998: 1-24.

Douthwaite, Richard, *Short Circuit* (Devon, Green Books, 1996)

Doyle, Michael, "Liberalism and World Politics" *American Political Science Review*, Vol. 80, No. 4, December 1986: 1151-1169.

Drache, Daniel, "From Keynes to K-Mart, Competitiveness in a Corporate Age" in Boyer, Robert & Drache, Daniel (eds.) *States Against Markets* (London, Routledge, 1996)

Drache, Daniel and Gerther, Meric (eds.), *The New Era of Global Competition, State Policy and Market Power* (Montreal, McGill-Queen's University Press, 1991)

Drucker Peter, "The Changed World Economy", *Foreign Affairs*, Spring V64, 1986: 768-91.

Fagan, Robert and Webber, Micheal, *Global Restructuring: The Australian Experience* (Melbourne, Oxford University Press, 1994)

Eckersley, Robyn (ed.), *Markets, the State and the Environment: Towards Integration* (Melbourne, Macmillan, 1995)

The Economist, "The Myth of the Powerless State", Oct 7th, 1995.
_____ "Stakeholder Capitalism", Feb 10th, 1996.
_____ "Disappearing Taxes", May 31st, 1997.
_____ "The Case for Globalisation", Sep 23rd, 2000.
_____ "Anti-Capitalist Protests", Sep 23rd, 2000.

Enloe, Cynthia, "Maid for Export" *New Statesman & Society*, Dec 1, 1989 vol. 2 no. 78 p. 29.
_____ "The Globetrotting Sneaker", *Ms. Magazine*, March-April 1995 vol. 5 no. 5.

European Commision, *How Does the European Union Work?* (Brussels, EC, 1996)

Everdell, William, *The End of Kings* (New York, The Free Press, 1983)

Falk Richard, *This Endangered Planet* (New York, Random House, 1971)
_____ *A Global Approach to National Policy* (Cambridge, Harvard University Press, 1975)
_____ *Positive Prescriptions for the Near Future* (Princeton, Center of International Studies, 1991)
_____ "The Making of Global Citizenship" in Van Steenbergen, Bart, *The Condition of Citizenship*, (London, Sage, 1994)
_____ "From Geopolitics to Geogovernance" WOMP and Contemporary Political Discourse", Alternatives, 19, 1994: 145-64.
_____ *On Humane Governance* (Cambridge, Polity Press, 1995)
_____ "The World Order Between Inter-state Law and the Law of Humanity: the Role of Civil Society Institutions" in Archibugi, Daniele and Held, David (eds.), *Cosmopolitan Democracy* (Cambridge, Polity Press, 1995)
_____ "Liberalism at the Global Level: The Last of the Independent Commissions?", *Millennium*, Vol. 24, No. 3, 1995: 563-76.
_____ "The Decline of Citizenship in an Era of Globalisation", Draft Paper UNRISD, December 9-11, 1996.
_____ "An Inquiry into the Political Economy of World Order", *New Political Economy*, Vol 1, No 1, 1996: 13-26.
_____ "Revisioning Cosmopolitanism" in Nussbaum, Martha, (ed.) *For Love of Country* (Boston, Beacon Press, 1996)
_____ "State of Siege: Will Globalisation Win Out?", *International Affairs*, 73, 1, 1997:123-36.
_____ "Resisting 'Globalisation-from-above" Through 'Globalisation-from-below' *New Political Economy*, Vol. 2, No. 1, March 1997: 17-24.

Fincher, Ruth and Webber, Micheal, "The Impact of Globalisation at Local, National and International Levels" in Wiseman, John (ed.), *Alternatives to Globalisation* (Fitzroy, Community Aid Abroad, 1997)

Foucault, Michel, "Governmentality" in Burchell, Geoffrey et al (eds.) *The Foucault Effect; Studies in Governmentality* (London, Harvester Wheatsheaf, 1991)
_____ *The Archaeology of Knowledge*, Trans A.M Sheridan Smith, (London, Travistock, 1972)
_____ *Power/Knowledge* (Brighton, Harvester Press, 1980)

Frankel, Ellen et al (eds.), *The Communitarian Challenge to Liberalism* (Cambridge, Cambridge University Press, 1996)

Freeden, Michael, "True Blood or False Genealogy: New Labour and British Social Democratic Thought" in Gamble, Andrew and Wright, Tony (eds.) *The New Social Democracy* (Oxford, Blackwell, 1999).

Freedland, Jonathon, "The Third Way is Staring Labour in the Face. But They haven't Seen it Yet" *The Guardian* <http ://reports.guardian.co.uk/articles/1998> (Accessed on the 22nd of September)

Frobel, Folker et al, "The New International Division of Labour", *Social Science Information* 17 (1) 1978: 123 42.

Fukuyama, Francis *The End of History and the Last Man* (London, Penguin Books, 1992)
_____ "Second Thoughts, The Last Man in a Bottle" *The National Interest* No. 56, Summer 1999: 16-33.

G-7, "Statement of G-7 Finance Ministers and Central Bank Governors", September 25, 1999, Washington, D.C. <http://www.library.utoronto.ca/g7/finance/fm992509state.htm> (Accessed on the 8th of January 2002)

Galbraith, James, "Ending the Globalisation Crisis" *Dissent*, Summer 2000

Gamble, Andrew and Wright, Tony (eds.), *The New Social Democracy* (Oxford, Blackwell, 1999)

Gellner, Ernest, *Nations and Nationalism* (Ithaca, Cornell University Press, 1983)

George, Susan, "A Short History of Neo-liberalism: Twenty Years of Elite Economics and Emerging Opportunities for Structural Change" Conference on Economic Sovereignty in a Globalising World- Bangkok, 24-26 March 1999. <http://www.millennium-round.org/> (Accessed the 15th August 1999)

Gertler, Meric, "Globality and Locality: The Future of "Geography" and the Nation-State" in Rimmer, Peter (ed.), *Pacific Rim Development* (St Leonards, Allen Unwin, 1997)

Giddens, Anthony, *The Consequences of Modernity* (Stanford, Stanford University Press, 1990)
_____ "Centre Left at Centre Stage" *New Statesman*, May, 1997, Special Edition.
_____ "After the Left's Paralysis", *New Statesman*, 1 May, 1998
_____ *The Third Way* (Cambridge, Polity, 1998)
_____ *Runaway World* (1999 BBC Reith Lectures); "Lecture One - Globalisation"<http://news.bbc.co.uk/hi/uk/english/static/events/reith_99/week1/week1 > (Accessed the 1st of September 1999)
_____ *The Third Way and Its Critics* (Cambridge, Polity, 2000)

Gills, Barry & Palan, Ronen (eds.), *Transcending the State-Global Divide: The Neostructuralist Agenda in International Relations* (London, Lynne Rienner Publishers, 1994)

Gill, Stephen, "Hegemony, Consensus and Trilateralism" *Review of International Studies*, (12) 1986: 205-22.
_____ "Gramsci and Global Politics: Towards a Post-Hegemonic Research Agenda" in Gill, Stephen (ed.), *Gramsci, Historical Materialism and International Relations* (Cambridge, Cambridge University Press, 1993)
_____ "Towards a US-Centred Transnational Hegemony" in Overbeek, Henk (ed.), *Restructuring Hegemony in the Global Political Economy* (London, Routledge, 1993)
_____ "Globalisation. Market Civilisation, and Disciplinary Neoliberalism", *Millennium*, Vol. 24, No. 3, 1995: 399-423.
_____ "Theorizing the Interregnum: The Double Movement" in Hettne, Björn (ed.), *International Political Economy: Understanding Global Disorder* (London, Zed Books, 1995)
_____ "Global Structural Change and Multilateralism" in Gill, Stephen (ed.), *Globalisation, Democratisation and Multilateralism* (Basingstoke, Macmillan, 1997)
_____ "Transformation and Innovation in the Study of World Politics" in Gill, Stephen and Mittelman, James (eds.), *Innovation and Transformation in International Studies* (Cambridge, Cambridge University Press, 1997)

_____ "European Governance and New Constitutionalism: Economic and Monetary Union and Alternatives to Democracy" *New Political Economy*, Vol 3, No 1, 1998: 5-26.
_____ "New Constitutionalism, Democratisation and Global Political Economy" *Pacifica Review*, 10 (1), February, 1998: 23-39.
_____ "The New Constitution of the Global Political Economy" a paper delivered at Monash University on the 11th of March 1999.
_____ "Toward a Postmodern Prince? The Battle in Seattle as a Moment in the New Politics of Globalisation" *Millennium*, Vol. 29 No. 1, 2000: 131-40.

Gill, Stephen (ed.), *Gramsci, Historical Materialism and International Relations* (Cambridge, Cambridge University Press, 1993)
_____ *Globalisation, Democratisation and Multilateralism* (Basingstoke, Macmillan, 1997)

Gill, Stephen and Law, David, *The Global Political Economy* (New York, Harvester, 1988)

Gill, Stephen and Law, David "Global Hegemony and The Structural Power of Capital" in Gill, Stephen (ed.), *Gramsci, Historical Materialism and International Relations* (Cambridge, Cambridge University Press, 1993)

Gill, Stephen and Mittelman, James (eds.), *Innovation and Transformation in International Studies* (Cambridge, Cambridge University Press, 1997)

Gilpin, Robert, *The Political Economy of International Relations* (Princeton, Princeton University Press, 1987)
_____ *Global Political Economy* (Princeton Press, Princeton, 2001)

Goldblatt, David, et al, "Economic Globalisation and the Nation-State: Shifting Balances of Power", *Alternatives*, 22, 1997: 269-85.

Goodman, James, "Stopping a Juggernaut: the anti-MAI campaign" in Goodman, James and Ranald, Patricia (eds.), *Stopping the Juggernaut: Public interest versus the Multilateral Agreement on Investment* (Annandale, Pluto Press, 2000)

Goodman, James and Ranald, Patricia (eds.), *Stopping the Juggernaut: Public Interest versus the Multilateral Agreement on Investment* (Annandale, Pluto Press, 2000)

Gordon, David, "The Global Economy: New Edifice or Crumbling Foundations?" *New Left Review* Number 168, March/April 1988: 24-64.

Gourevitch, Peter, *Politics in Hard Times* (New York, Cornell University Press, 1986)

Gowan, Peter, "Neoliberal Cosmopolitanism", *New Left Review*, 11, September / October 2001: 79-93.

Gramsci, Antonio, *Selections From the Prison Notebooks* edited by Hoare, Quintin and Smith, Geoffrey (New York, International Publishers, 1999[1971])

Gray, John, *Liberalism* Second Edition (Buckingham, Open University Press, 1995)
_____ *False Dawn: Delusions of Global Capitalism* (London, Granta Books, 1998)

Guibernau, Montserrat, "Globalization, Cosmopolitanism and Democracy: an Interview with David Held"<http://www.polity.co.uk/global/held.htm> (Accessed on the 20th of March 2002)

Gummett, Phillip (ed.), *Globalisation and Public Policy* (Cheltenham, Edward Elgar, 1996)

Haakonssen, Knud (ed.), *David Hume: Political Essays* (Cambridge, Cambridge University Press, 1994)

Habermas, Jurgen, *The Postnational Constellation* (Cambridge, Polity Press, 2001)

Hall, Peter (ed.), *The Political Power of Economic Ideas* (New Jersey, Princeton University Press, 1989)

Hamlin, Alan and Pettit, Philip (eds.), *The Good Polity* (Oxford, Basil Blackwell, 1989)

Hampton, Jean, *Political Philosophy* (Boulder, Westview Press, 1997)

Harvey, David, *The Condition of Postmodernity* (Oxford, Basil Blackwell, 1990)
_____ *Justice, Nature and the Geography of Difference* (Oxford, Basil Blackwell, 1997)
_____ "Cosmopolitanism and the Banality of Geographic Evils" Public Lecture at The University of Melbourne, 15th July 1998.

Head, Simon, "The New, Ruthless Economy", *The New York Review of Books*, (1996) Volume XLIII, n 4.

Heater, Derek, *World Citizenship and Government: Cosmopolitan Ideas in the History of Western Political Thought* (New York: St. Martin's Press, 1996)

Held, David, *Political Theory and the Modern State* (Cambridge, Polity Press, 1989)
_____ "Democracy, the Nation State and the Global System" in Held, David (ed.), *Political Theory Today* (Oxford, Polity Press, 1991)
_____ "Sites of Power, Problems of Democracy", *Alternatives*, 19, 1994: 221-36.
_____ *Democracy and the Global Order* (Cambridge, Polity Press, 1995)
_____ "Democracy and Globalization" in Archibugi, Daniele et al. (eds.) *Re-imagining Political Community; Studies in Cosmopolitan Democracy* (Polity, Cambridge, 1998).

Held, David and McGrew, Andrew, "Globalisation and the Liberal Democratic State" *Government and Opposition* Vol 28, 1993.

Held, David (ed.), *Political Theory Today* (Oxford, Polity Press, 1991)

Held, David, et al, *Global Transformations* (Cambridge, Polity Press, 1999)

Henderson, Jeffrey and Castells, Manuel (eds.), *Global Restructuring and Territorial Development* (London, Sage, 1987)

Heisler, Barry, "A Comparative Perspective on the Underclass", *Theory and Society*, N 20, 1991.

Helleiner, Eric, "Freeing Money: Why Have States Been More Willing to Liberalise Capital Controls Than Trade Barriers", *Policy Sciences*, Volume 27, 1994: 447-66.

Björn Hettne (ed.), *International Political Economy: Understanding Global Disorder* (London, Zed Books, 1995)

Hewson, Martin and Sinclair, Timothy, "The Emergence of Global Governance Theory" in Hewson, Martin and Sinclair, Timothy (eds.), *Approaches to Global Governance Theory* (Albany, State University of New York Press, 1999)

Hewitt de Alcantra, Cynthia (ed.), *Social Futures, Global Visions* (Oxford, UNRISD and Blackwell, 1996)

Hirst, Peter & Thompson, Grahame, *Globalisation in Question* (Cambridge, Polity Press, 1996)

Hobhouse, L.T, *Liberalism* (London, Oxford University Press, 1964[1911])
_____ *Social Evolution and Political Theory* (Port Washington, Kennikat Press, 1968[1911])

Hobsbawn, Eric, *Age of Extremes, The Short Twentieth Century* (London, Abacus, 1994)

Holden, Barry (ed.), *Global Democracy: Key Debates* (Routledge, London, 2000)

Holm, Hans-Henrik and Sorensen, Georg, *Whoose World Order?* (Boulder, Westview Press, 1995)

Horsman, Matthew & Marshall, Andrew, *After the Nation-State; Citizens, Tribalism and the new world order* (London, HarperCollins, 1994)

Hurrell, Andrew and Woods, Ngaire, "Globalisation and Inequality", *Millennium*, Vol. 24, No. 3, 1995: 447-470.

Hume, David, "Of the Origin of Government" in Haakonssen, Knud (ed.), *David Hume: Political Essays* (Cambridge, Cambridge University Press, 1994)
_____ "Idea of a Perfect Commonwealth" in Haakonssen, Knud (ed.), *David Hume: Political Essays* (Cambridge, Cambridge University Press, 1994)

Hutchings, Kimberly, *International Political Theory* (London, Sage, 1999)

Hutchings, Kimberly and Dannreuther, Roland (eds.), *Cosmopolitan Citizenship* (Basingstoke, Macmillan, 1999)

Hutton, Will, *The State We're In* (London, Vintage, 1996)
_____ *The State to Come* (London, Vintage, 1997)
_____ "Here is a Programme that Allows New Labour to Face Two Directions at Once, its Favourite Posture" *The Guardian* <http ://reports.guardian.co.uk/articles/1998> (Accessed on the 22nd of September)

International Labor Organisation (ILO), *World Labour Report 1994* (Geneva, ILO, 1994)

Jackson, Robert, "Sovereignty in World Politics: a Glance at the Conceptual and Historical Landscape" in Jackson, Robert (ed.), *Sovereignty at the Millennium* (Oxford, Blackwell, 1999)

Jackson, Robert (ed.), *Sovereignty at the Millennium* (Oxford, Blackwell, 1999)

James, Paul, "As Nation and State: a Postmodern Republic Takes Shape" in James, Paul (ed.), *The State in Question* (St Leonards, Allen & Unwin, 1996)

James, Paul (ed.), *The State in Question* (St Leonards, Allen & Unwin, 1996)

Jessop, Bob, "Capitalism and its Future: Remarks on Regulation, Government and Governance" *Review of International Political Economy*, Vol. 4, No. 3, 1997: 561-81.

Kaldor, Mary, *New and Old Wars* (Stanford, Stanford University Press, 1999)

Kamal Pasha, Mustapha and Blaney, David "Elusive Paradise: The Promise and Peril of Global Civil Society" *Alternatives*, 23, 1998: 417-50.

Kant, Immanuel, *Perpetual Peace and Other Essays* Trans Humphrey, Ted (Indianapolis, Hackett Publishing Company, 1983)

Kaplan, Robert, "The Coming Anarchy", *The Atlantic Monthly*, Vol 273, No 2 (February 1994).
_____ "Was Democracy Just a Moment" *The Atlantic Monthly* Dec 1997 <http://www.Theatlantic .com / issues /97dec/democ> (accessed 1st of July 1999)

Kapstein Ethan, "Workers and the World Economy", *Foreign Affairs* Volume 75 No 3 May/June 1996: 16-37.

Katzenstein, Peter, *Small States in World Markets* (Ithaca, Cornell University Press, 1985)
_____ "International Relations Theory and the Analysis of Change" in Czempiel, Ernest and Rosenau, James (eds.), *Global Changes and Theoretical Challenges* (Toronto, Lexington Books, 1989)

Katzenstein, Peter and Shiraishi, Takashi, *Network Power: Japan and Asia* (Ithaca, Cornell University Press, 1996)

Kaus, Mickey, *The End of Equality* (New York, Basic Books, 1992)

Keane, John, *Democracy and Civil Society* (London, Verso, 1988)

Keck, Margaret and Sikkink, Kathryn, *Activists Beyond Borders: Advocacy Networks in International Politics* (Ithaca, Cornell University Press, 1998)

Kell, Georg and Ruggie, John, "Global Markets and Social Legitimacy: The Case of the 'Global Compact" presented at an international conference: Governing the Public Domain beyond the Era of the Washington Consensus? Redrawing the Line Between the State and the Market, York University, Toronto, Canada, 4-6 November 1999 <http://www.unglobalcompact.org/gc/unweb.nsf/content/gkjr> (accessed on the 12/11/00)

Kennedy, Paul, "The (Relative) Decline of America" *Atlantic Monthly* August 1987.
_____ *Preparing for the Twenty First Century* (London, Harper Collins, 1993)

Keynes, John, *The General Theory of Employment, Interest and Money* (London, Macmillian, 1936)

Kirton, John, "What is the G20?" <http://www.g7.utoronto.ca/g7/g20/ g20whatisit.html> (Accessed on the 8th of January 2002)

Kobrin, Stephen, "The MAI and the Clash of Globalisations" *Foreign Policy*, N 112, Fall 1998: 97-109.

Kofman, Eleonore & Youngs, Gillian (eds.), *Globalisation: Theory and Practice* (London, Pinter, 1996)

Korten, David, *When Corporations Rule the World* (London, Earthscan, 1995)

Kothari, Smitu, "Where are the People? The United Nations, Global Economic Institutions and Governance" in Paolini, Albert et al, *Between Sovereignty and Global Governance* (London, Macmillian, 1998)

Krugman, Paul, *The Age of Diminished Expectations* revised edition (Cambridge, The MIT Press, 1994)
_____ *Peddling Prosperity* (New York,W W Norton & Company, 1994)
_____ *Pop Internationalism* (Cambridge, MIT press, 1996)

Kuttner, Robert, *The Economic Illusion; False Choices between Prosperity and Social Justice* (Boston, Hougton Mifflin, 1984)

Kymlicka, Will, *Contemporary Political Philosophy* (Oxford, Clarendon Press, 1990)
_____ *Multicultural Citizenship* (Oxford, Clarendon Press, 1995)

Kymlicka, Will and Norman, Wayne, "Return of the Citizen: A Survey of Recent Work on Citizenship Theory", *Ethics*, 104, January, 1994: 352-81.

Lasch, Christopher, *The Revolt of the Elites and the Betrayal of Democracy* (New York, W.W. Norton & Company, 1995)

Lee, Eddy, "Globalisation and Employment: Is Anxiety Justified?", *International Labour Review*, Vol.135 (1996), no 5: 485-97.

Levi-Faur, David, "Economic Nationalism: from Friedrich List to Robert Reich" *Review of International Studies* 23, 1997: 359-70.

Linklater, Andrew, "Citizenship and Sovereignty in the Post-Westphalian European State", in Archibugi, Daniele, et al. (eds.), *Re-Imagining Political Community* (Cambridge, Polity, 1998)
_____ "The Evolving Spheres of International Justice', *International Affairs*, Vol. 75, No. 3, 1999: 473-82.

Lipietz, Alain, "New Tendencies in the International Division of Labour: Regimes of Accumulation and modes of Regulation" in Scott, Allan and Storper, Michael (eds.) *Production, Work, Territory: The Geographical Anatomy of Industrial Capitalism* (Boston, Allen and Unwin, 1986)
_____ "The National and the Regional: Their Autonomy Vis-à-vis the Capitalist World Crisis" in Gills, Barry and Palan, Ronen (eds.) *Transcending the State-Global Divide: The Neostructuralist Agenda in International Relations* (London, Lynne Rienner Publishers, 1994)

Lipschutz, Ronnie, "Reconstructing World Politics: The Emergence of Global Civil Society", *Millennium*, 1992, Vol. 21, No. 3: 389-420.

Lovett, Francis, "Domination: A Preliminary Analysis" *The Monist*, January 2001, Volume 84, Number 1: 98-112.

Machiavelli, Niccoló, *The Prince*, tr. Bull, George (London, Penguin Books, 1981)
_____ *The Discourses*, tr. Leslie Walker, ed. Crick, Bernard, (London, Penguin Books, 1998)

Maclean, Douglas and Mills, Claudia (eds.), *Liberalism Reconsidered* (New Jersey, Rowman and Allanheld, 1983)

McFate, Katherine, "Introduction: Western States in the New World Order" in McFate, Katherine et al (eds.), *Poverty, Inequality, and the Future of Social Policy* (New York, Russell Sage Foundation, 1995)

McFate, Katherine et al, "Markets and States: Poverty Trends and Transfer System Effectiveness in the 1980's" in McFate, Katherine et al (eds.) , *Poverty, Inequality, and the Future of Social Policy* (New York, Russell Sage Foundation, 1995)

McFate, Katherine et al (eds.), *Poverty, Inequality, and the Future of Social Policy* (New York Russell Sage Foundation, 1995)

McGrew, Andrew, "Globalization and Territorial Democracy: an Introduction" in McGrew, Andrew (ed.), *The Transformation of Democracy* (Cambridge, The Open University, 1997)

McGrew, Andrew, "Democracy Beyond Borders? Globalization and the Reconstruction of Democratic Theory and Politics" in McGrew, Andrew (ed.), *The Transformation of Democracy* (Cambridge, The Open University, 1997)

McGrew, Andrew (ed.), *The Transformation of Democracy* (Cambridge, The Open University, 1997)

McMichael, Philip, "Sleepless since Seattle: what is the WTO about?" *Review of international Political Economy* 7:3 Autumn 2000: 466–474.

Mann, Michael, "Nation-states in Europe and Other Continents: Diversifying, Developing, Not Dying" *Daedalus*, V 122, 1993: 115-40.

Marks, Gary et al (eds.) *Governance in the European Union* (London, Sage, 1996)

Marquand, David, *The Unprincipled Society; New Demands and Old Politics* (London, Fontana, 1988)
_____ "The New Statesman Essay - The old Labour rocks re-emerge", *The New Statesman* Monday 27th September 1999. <http://www.consider.net/library.php3> (accessed the 30th September 1999)

Marshall, T H, *Class, Citizenship and Social Development* (Westport, Greenwood Press, 1963)

Martin, Hans-Peter and Schumann, Harald, *The Global Trap* (London, Zed Books, 1997)

Marx, Karl, *The Manifesto of the Communist Party* (USSR, Progress Publishers, 1986[1872])

Mill, John Stuart, *Three Essays* (London, Oxford University Press, 1975)

Miller, David, "The Nation-state: a Modest Defence" in Brown, Christopher (ed.), *Political Restructuring In Europe* (London, Routledge, 1994)
_____ "Bounded Citizenship" in Hutchings, Kimberly and Dannreuther, Roland (eds.), *Cosmopolitan Citizenship* (Basingstoke, Macmillan, 1999)

Mishra, Ramesh, "The Welfare of Nations" in Boyer, Robert & Drache, Daniel (eds.) *States Against Markets* (London, Routledge, 1996)
_____ *Globalisation and the Welfare State* (Cheltenham, Edward Elgar, 1999)

Mittelman James, "The Globalisation Challenge: Surviving at the Margins" *Third World Quarterly*, Vol 15, No 3, 1994: 427-43.
_____ "The Dynamics of Globalisation" in Mittelman, James (ed.) *Globalisation: Critical Reflections* (Boulder, Lynne Rienner, 1996)
_____ "How does Globalisation Work?" in Mittelman, James (ed.) *Globalisation: Critical Reflections* (Boulder, Lynne Rienner, 1996)
_____ *The Globalisation Syndrome* (Princeton, Princeton Press, 2000)

Mittelman, James (ed.) *Globalisation: Critical Reflections* (Boulder, Lynne Rienner, 1996)

Montesquieu, Charles De Secondat, *The Spirit of the Laws* (ed.) Carrithers, David (Berkeley, University of California Press, 1977)

Moody, Kim, *Workers in a Lean World* (London, Verso, 1999)

Moran, Alan, "Tools of Environmental Policy: Market Instruments versus Command-and-Control" in Eckersley, Robyn (ed.), *Markets, the State and the Environment: Towards Integration* (Melbourne, Macmillan, 1995)

Morgenthau, Hans, *Politics Among Nations* Fifth Edition (New York, Alfred Knopf, 1973)

Mouffe, Chantal (ed.), *Dimensions of Radical Democracy* (London, Verso, 1992),

Muetzelfeldt, Michael (ed.), *Society, State and Politics in Australia* (Marrickville, Southwood Press, 1992)

Murphy, Craig, *International Organisation and Industrial Change* (Cambridge, Polity Press, 1994)

Naisbitt, John and Aburdene, Patricia, *Megatrends 2000* (London, Pan Books, 1990)

Neff, Stephen "International Law and the Critique of Cosmopolitan Citizenship" in Hutchings, Kimberly and Dannreuther, Roland (eds.), *Cosmopolitan Citizenship* (Basingstoke, Macmillan, 1999)

Nussbaum, Martha, "Patriotism and Cosmopolitanism" in Nussbaum, Martha (ed.), *For Love of Country* (Boston, Beacon Press, 1996)

Nussbaum, Martha (ed.), *For Love of Country* (Boston, Beacon Press, 1996)

Obrien, Robert et al., *Contesting Global Governance* (Cambridge, Cambridge University Press, 2000)

OECD, *The MAI Negotiating Text* (Directorate for Financial, Fiscal and Enterprise Affairs, as of 24 April 1998)

Ohmae, Kenichi, *Triad Power: The Coming Shape of Global Competition* (New York, The Free Press, 1985)
_____ *The Borderless World: Power and Strategy in the Global Marketplace* (London, Harper Collins, 1990)
_____ "The Rise of the Region State", *Foreign Affairs*, V72, Issue 2 1993: 78-87.
_____ "Putting Global Logic First", *Harvard Business Review* Feburary 1995: 119-25.
_____ *The End of the Nation State: The Rise of Regional Economies* (London, Harper Collins, 1995)
_____ "Globalization. Regions and the New Economy Working" Paper No 1, Center for Globalization and Policy Research, School of Public Policy and Social Research, UCLA, 2001.

Ohmae, Kenichi (ed.), *The Evolving Global Economy* (Boston, Harvard Business Review, 1995)

Onuf, Nicholas, *The Republican Legacy in International Thought* (Cambridge, Cambridge University Press, 1998)

Osbourne, David and Gaebler, Ted, *Reinventing Government* (NewYork, Plume, 1992)

Overbeek, Henk and Van der Pijl, Kees, "Restructuring Capital and Restructuring Hegemony" in Overbeek, Henk (ed.), *Restructuring Hegemony in the Global Political Economy* (London, Routledge, 1993)

Overbeek, Henk (ed.), *Restructuring Hegemony in the Global Political Economy* (London, Routledge, 1993)

Palan, Ronen, et al *State Strategies in the Global Economy* (London, Pinter,1996)

Panitch, Leo, "Globalistion and the State", *The Socialist Register* 1994: 60-93.

Paolini, Albert et al, *Between Sovereignty and Global Governance* (London, Macmillian, 1998)

Patomaki, Heikki, *The Tobin Tax: How to Make it Real* Ulkopoliittinen Insttituutti Working Paper 13 (1999)

Pettit, Philip, "The Freedom of the City: A Republican Ideal" in Hamlin, Alan and Pettit, Philip (eds.), *The Good Polity* (Oxford, Basil Blackwell, 1989)
_____ "Freedom as Antipower" *Ethics* 106 April 1996: 576-604.
_____ *Republicanism* (Oxford, Oxford University Press, 1999)
_____ "Republican Freedom and Contestatory Democratization", in Shapiro, Ian and Hacker-Cordón, Casiano, *Democracy's Values* (Cambridge, Cambridge University Press, 1999)

Petrella, Riccardo, "Globalisation and Internationalisation" in Boyer, Robert and Drache, Daniel (eds.), *States Against Markets* (London, Routledge, 1996)

Phillips, Kevin, *The Politics of Rich and Poor: Wealth and the American Electorate in the Reagan Aftermath* (New York, Harper, 1990)

Picciotto, Sol, "The Internationalising of the State", *Capital and Class*, Volume 43, Spring 1991: 43-63.

Pixley, Jocelyn, "Citizen, Worker or Client? State, Class and Welfare" in Muetzelfeldt, Michael (ed.), *Society, State and Politics in Australia* (Marrickville, Southwood Press, 1992)

Pogge, Thomas, "Cosmopolitanism and Sovereignty" *Ethics* Volume 103, Number 1, October 1992: 48-75.

Poggi, Gianfranco, *The Development of the Modern State* (Stanford, Stanford University Press, 1978)
_____ *The State* (Stanford, Stanford University Press, 1990)

Polanyi, Karl, *The Great Transformation* (Boston, Beacon Press, 1957)

Porter, Michael, *The Competitive Advantage of Nations* (London, Macmillian Press, 1990)

Putnam, Robert, "The Prosperous Community; Social Capital and Public Life", *The American Prospect*, n13, (Spring 1993): 1-7.

Putnam, Robert with Leonardi, Robert, and Nanetti, Raffaella, *Making Democracy Work* (Princeton, Princeton University Press, 1993)

Putnam, Robert with Leonardi, Robert, and Nanetti, Raffaella "Institutional Performance and Political Culture: Some Puzzles about the Power of the Past" *Governance*, Vol. 1, No. 3 July 1988: 221-42.

Raghavan, Chakravarthi, "After Seattle, world trade system faces uncertain future" *Review of International Political Economy* 7:3 Autumn 2000: 495-504.

Ralston Saul, John, *The Doubter's Companion: A Dictionary of Aggressive Common Sense* (New York, The Free Press, 1994)
_____ *The Unconscious Civilisation* (Ringwood, Penguin Books, 1997)

Rawls, John, *A Theory of Justice* (Oxford, Oxford University Press, 1972)

Rengger, Nicholas, "Political Theory and International Relations: Promised Land or Exit From Eden" *International Affairs* Vol. 76 No. 4, October 2000: 755-70.

Reich, Robert, *The Next American Frontier* (New York, Times Books, 1983)
_____ "Toward a New Public Philosophy", *The Atlantic Monthly*, V 255, May 1985: 68-79.
_____ "The Economics of Illusion and the Illusion of Economics", *Foreign Affairs*, V66 n3, 1988: 516-28.
_____ *The Resurgent Liberal* (New York, Random House, 1989)
_____ " American Society in a Global Economy", *Society* V28 n1, 1990: 66-71.
_____ "The Real Economy", *The Atlantic Monthly*, February 1991: 35-52.
_____ *The Work of Nations* (London, Simon and Schuster. 1991)

_____ "Training a Skilled Workforce; Why U.S. Corporations Neglect Their Workers", *Dissent* V39, n1, 1992: 42-6.
_____ "The Over, the Under, and the Anxious" Speech before the Center for National Policy in Washington D.C, Aug 31, 1994.
_____ "Toward a New Social Compact: The Role of Business" Speech before the National Alliance of Business in Dallas, Sep 27, 1994.
_____ "The Revolt of the Anxious Class" Speech before the Democratic Leadership Council In Washington D.C, Nov 22, 1994.
_____ "Who is Us?" in Ohmae, Kenichi (ed.), *The Evolving Global Economy* (Boston, Harvard Business Review, 1995)
_____ "Who is Them?" in Ohmae, Kenichi (ed.), *The Evolving Global Economy* (Boston, Harvard Business Review, 1995)
_____ "Frayed-Collar Workers in Gold Plated Times: Annual Address on the State of the American Workforce", Speech to the Center for National Policy, Sep 31, 1995.
_____ "Pink slips, Profits, and Paychecks: Corporate Citizenship in an Era of Smaller Government" Speech at George Washington University, Feb 6, 1996.
_____ "The New Corporate Citizenship" Speech at the Town Hall, Los Angeles, Apr 16, 1996.
_____ "Third Way Needs Courage" *The Guardian* <http://reports. guardian.co.uk/articles /1998> (Accessed on the 22nd of September 1999)

Reich, Robert & Magaziner, Ira, *Minding America's Business* (New York, Harcourt Brace Jovanovich, 1982)

Resnick, Philip, "Global Democracy: Ideals and Reality" in Axtmann, Roland (ed.), *Globalisation and Europe* (London, Pinter, 1998)

Reus-Smit, Christian, "The Constitutional Structure of International Society and the Nature of Fundamental Institutions", *International Organisation*, Volume 51, Number 4, Autumn 1997: 555-89.
_____ "Changing Patterns of Governance: From Absolutism to Global Multilateralism" in Paolini, Albert et al, *Between Sovereignty and Global Governance* (London, Macmillian, 1998)
_____ *The Moral Purpose of the State* (Princeton, Princeton University Press, 1999)

Richardson, James, *Contending Liberalisms: Past and Present* (Working Paper No.1995/10, Australian National University, Dept. of International Relations, 1995)
_____ *Contending Liberalisms in World Politics: Ideology and Power* (Boulder, Lynne Rienner, 2001)

Rieff, David, *Los Angeles, Capital of the Third World* (New York, Simon&Schuster, 1991)

Rifkin, Jeremy, *The End of Work* (New York, GP Putnam's Sons, 1995)

Rimmer, Peter (ed.), *Pacific Rim Development* (St Leonards, Allen Unwin, 1997)

Robertson, Roland, "Mapping the Global Condition", *Theory, Culture and Society*, Vol. 7, 1990: 15-30.
_____ *Globalisation, Social Theory and Global Culture* (London, Sage, 1992)

Rodman, Kenneth, "Think Globally, Punish Locally: Non-State Actors, Multinational Corporations and Human Rights Sanctions" *Ethics and International Affairs*, Vol. 12, 1998: 17-41.

Rorty, Richard et al (eds.), *Philosophy in History* (Cambridge, Cambridge University Press, 1984)

Rose, Nikolas, "Governing Advanced Liberal Democracies" in Barry, Andrew et al (eds.) *Foucault and Political Reason* (London, University of Chicago Press, 1996)
_____ "The Death of the Social? Re-figuring the Territory of Government" *Economy and Society*, Volume 25, Number 3, August 1996: 327-356.

Rosenau, James, "Governance, Order, and Change in World Politics" in Rosenau, James and Czempiel, Ernst (eds.), *Governance without Government: Order and Change in World Politics* (Cambridge, Cambridge University Press, 1992)

Rosenau, James and Czempiel, Ernst (eds.), *Governance without Government: Order and Change in World Politics* (Cambridge, Cambridge University Press, 1992)

Rousseau, Jean-Jacques, *The Social Contract and Discourse on the Origin of Inequality* (New York, Washington Square Press, 1964)

Ruggie John, "International Regimes, Transactions, and Change: Embedded Liberalism in the Post War Period" *International Organisation* 36, 2, Spring 1982: 379-415.
_____ "Embedded Liberalism Revisited: Institutions and Progress in International Economic Relations" in Adler, Emanuel and Crawford, Beverly (eds.) *Progress in Postwar International Relations* (1991, Columbia University Press, New York)
_____ "Territoriality and Beyond: Problematizing Modernity in International Relations", *International Organisation*, 47,1, Winter 1993: 139-74.
_____ "At Home Abroad, Abroad at Home: International Liberalism and Domestic Stability in the New World Economy", *Millennium*, Vol. 24, No. 3, 1994: 507-526.

Rupert, Mark, "Globalization and the Reconstruction of Common Sense in the US" in Gill, Stephen and Mittelman, James (eds.), *Innovation and Transformation in International Studies* (Cambridge, Cambridge University Press, 1997)

Russell, Bertrand, *Authority and the Individual* (London, George Allen and Unwin, 1969)

Ryan, Alan, "Britain: Recycling the Third Way" *Dissent* Spring 1999: 77-80.

Sassen, Saskia, *Cities in a World Economy* (London, Pine forge Press, 1994)
_____ *Losing Control? Sovereignty in the Age of Globalisation* (New York, Columbia University Press, 1995)
_____ *Globalisation and its Discontents* (New York, New Press, 1998)
_____ "The State and the New Geography of Power", The London School of Economics, http://www.lse.ac.uk/events/25_1_00sassen.htm (Accessed on the 18th of October 2000)

Saunders, Peter, *Welfare and Inequality* (Cambridge, Cambridge University Press, 1994)

Saward, Michael, "A critique of Held" in Holden, Barry (ed.), *Global Democracy: Key Debates* (Routledge, London, 2000)

Scholte, Jan Aart, "Global Capitalism and the State", *International Affairs* 73, 3, 1997: 427-52.
_____ "Cautionary Reflections on Seattle" *Millennium*, Vol. 29 No. 1, 2000: 115-121.
_____ *Globalisation, a critical introduction* (Basingstoke, Palgrave, 2000)

Schmitter, Philippe, "Imagining the Future of the Euro-Polity with the Help of New Concepts" in Marks, Gary et al (eds.) *Governance in the European Union* (London, Sage, 1996).

Scott, Allen and Storper, Michael (eds.) *Production, Work, Territory: The Geographical Anatomy of Industrial Capitalism* (Boston, Allen and Unwin, 1986)

Scott, Allen, *Regions and the World Economy* (Oxford, Oxford University Press,1998)

Self, Peter, *Government by the Market? The Politics of Public Choice* (London, Macmillan Press, 1993)

Sennett, Richard, *The Corrosion of Character* (New York, WW Norton, 1998)

Sforza Michelle et al., "Writing the Constitution of a Single Global Economy: A Concise Guide to the Multilateral Agreement on Investment - Supporters' and Opponents' Views" <http://www.cepr.net/globalization/MAI/keyprovs.html>(Accessed 10th of February 2002)

Sinclair, Timothy, "Between State and Market: Hegemony and Institutions of Collective Action Under Conditions of International Capital Mobility" *Policy Sciences* 27, 1994: 447-66.

Sklair, Leslie, "Social Movements for Global Capitalism: The Transnational Capitalist Class in Action" *Review of International Political Economy*, 4:3 Autumn, 1997: 514-38.

Skinner, Quentin, *Machiavelli* (Oxford, Oxford University Press, 1981)
_____ "The Idea of Negative Liberty: Philosophical and Historical Perspectives" in Rorty, Richard et al (eds.), *Philosophy in History* (Cambridge, Cambridge University Press, 1984)
_____ "Ambrogio Lorenzetti as Political Philosopher" *Proceedings of the British Academy*, 72, 1986: 1-56
_____ "The Republican Ideal of Political Liberty" in Bock, Gisela et al (eds.), *Machiavelli and Republicanism* (Cambridge, Cambridge University Press, 1990)
_____ "On Justice, the Common Good and the Priority of Liberty" in Mouffe, Chantal (ed.), *Dimensions of Radical Democracy* (London, Verso, 1992)
_____ *Liberty Before Liberalism* (Cambridge, Cambridge University Press, 1998)

Slaughter, Steven, "Republican Liberty and the European Union" *Contemporary European Studies Association of Australia Review*, Volume 28, June 2001: 26-34.

Soros, George, "Capitalism's Last Chance?", *Foreign Policy*, No. 113, Winter 1998-9: 55-66.

Strange, Susan, "States, Firms and Diplomacy" *International Affairs*, V 68, n1, 1992: 1-15.
_____ "The Limits of Politics" *Government and Opposition*, V 30, n 2, 1995: 291-311.
_____ *Retreat of the State* (Cambridge, Cambridge University Press, 1996)
_____ "The Westfailure System" *Review of International Studies* (1999), 25: 345-54.

Streeck, Wolfgang, "Public Power Beyond the Nation State" in Boyer, Robert and Drache, Daniel (eds.) *States Against Markets* (London, Routledge, 1996)

Stubbs, Richard and Underhill, Geoffrey (eds.), *Political Economy and the Changing Global Order* (London, Macmillan Press, 1994)

Sturgess G, "Virtual Government: What Will Remain Inside the Public Sector?" *Australian Journal of Public Administration* 55(3), September 1996: 59-73.

Sunstein, Cass, *Free Markets and Social Justice* (Oxford, Oxford University Press, 1997)

The Preamble Center, "The Multilateral Agreement on Investment: Timeline of Negotiations" <http://www.cepr.net/globalization/MAI/maihist.html > (Accessed 10th of February 2002)
_____ "The MAI in the Words of Framers, Supporters and Opponents" <http://www.cepr.net/globalization/quotes.html>(Accessed 10th of February 2002)
_____ "The Multilateral Agreement on Investment: A 'Bill of Rights' for International Investors?" <http://www.cepr.net/globalization/MAI/4-pager.html>(Accessed 10th of February 2002)

Thomas, Kenneth, "'Corporate Welfare'" Campaigns in North America", *New Political Economy*, Vol 2, No 1, 1997: 117-26.

Thurow, Lester, *Head to Head* (St Leonards, Allen and Unwin, 1992)

Tickell, Adam and Peck, Jamie, "Social Regulation after Fordism: Regulation Theory, Neo-liberalism and the Global-Local Nexus", *Economy and Society*, Volume 24, Number 3, August 1995: 357-86.

Tocqueville, Alexis, *Democracy in America* translated Lawrence G, edited Mayer J P (London, Fontana Press, 1994)

Turner, Bryan "Outline of a Theory of Citizenship" *Sociology*, 24, 2, 1990: 189-217.
_____ "Contemporary Problems in the Theory of Citizenship" in Turner, Bryan (ed.), *Citizenship and Social Theory* (London, Sage, 1993)

Turner, Bryan (ed.), *Citizenship and Social Theory* (London, Sage, 1993)

United Nations, *World Social Situation in the 1990s* (New York, UN, 1994)

Underhill, Geoffrey, "State, Market, and Global Political Economy: Genealogy of an (Inter-?) Discipline", *International Affairs* Vol. 76 No. 4, 2000: 805-24.

UNDP, *Human Development Report 1992* (New York, Oxford University Press, 1992)
_____ *Human Development Report 1993* (New York, Oxford University Press, 1993)
_____ *Human Development Report 1994* (New York, Oxford University Press, 1994)
_____ *Human Development Report 1996* (New York, Oxford University Press, 1996)
_____ *Human Development Report 1997* (New York, Oxford University Press, 1997)
_____ *Human Development Report 1999* (New York, Oxford University Press, 1999)
_____ *Human Development Report 2001* (New York, Oxford University Press, 2001)

UNRISD, *States of Disarray; The Social Effects of Globalisation* (London, Banson, 1995)
_____ *Globalisation and Citizenship* (Geneva, UNRISD, 1997)
_____ *Visible Hands: Taking Responsibility for Social Development* (Geneva, UNRISD, 2000)

Van der Pijl, Kees, "The Sovereignty of Capital Impaired" in Overbeek, Henk (ed.), *Restructuring Hegemony in the Global Political Economy* (London, Routledge, 1993)

Van Steenbergen, Bart, *The Condition of Citizenship*, (London, Sage, 1994)

Viroli, Maurizio, "Machiavelli and the Republican Idea of Politics" in Bock, Gisela et al (eds.), *Machiavelli and Republicanism* (Cambridge, Cambridge University Press, 1990)
_____ *For Love of Country* (Oxford, Clarendon Press, 1995)
_____ "On Civic Republicanism: Reply to Xenos and Yack" *Critical Review* Volume: 12, Issue: 1-2, Winter 1998: 187-96.
_____ *Machiavelli* (Oxford, Oxford University Press, 1998)

Walker, R.B.J, "Citizenship after the Modern Subject" in Hutchings, Kimberly and Dannreuther, Roland (eds.), *Cosmopolitan Citizenship* (Basingstoke, Macmillan, 1999)

Wallerstein, Immanuel, *The Modern World System* (New York, Academic, 1974)
_____ *The Capitalist World-Economy* (Cambridge, Cambridge University Press, 1979)

Waligorski, Conrad, *Liberal Economics and Democracy: Keynes, Galbraith, Thurow and Reich* (Kansas University Press of Kansas, 1997)

Walt, Stephen, "Beyond Bin Laden: Reshaping U.S. Foreign Policy" *International Security* 26, no. 3, 2001: 56-78.

Waltz, Kenneth, "Globalisation and Governance", *PS Political Science and Politics*, December 1999 <http://www.apsanet.org/PS/dec99/waltz.ctm> (Accessed on the 30th of October 2000)

Walzer, Michael, *Thick and Thin: Moral Argument at Home and Abroad* (Notre Dame, Notre Dame Press, 1994)
_____ "The Concept of Civil Society" in Walzer, Michael (ed.), *Towards a Global Civil Society* (Oxford, Berghahn Books, 1995)
_____ "Spheres of Affection" in Nussbaum, Martha (ed.), *For Love of Country* (Boston, Beacon Press, 1996)
_____ "Governing the Globe" *Dissent* Fall 2000.

Walzer, Michael (ed.), *Towards a Global Civil Society* (Oxford, Berghahn Books, 1995)

Weiss, Linda, *The Myth of the Powerless State* (Cambridge, Polity Press, 1998)

Wheeler, David, "Racing to the Bottom? Foreign Investment and Air Pollution in Developing Countries" *Journal of Environment and Development* 10 (3) 2001: 225-45.

White, Rob, "The Poverty of the Welfare State: Managing the Underclass" in James, Paul (ed.) *The State in Question* (St Leonards, Allen & Unwin, 1996)

Wiseman, John, "Breaking the Spell? Alternative Responses to Globalisation" in Wiseman John (ed.), *Alternatives to Globalisation* (Fitzroy, Community Aid Abroad, 1997)

Wiseman, John (ed.), *Alternatives to Globalisation* (Fitzroy, Community Aid Abroad, 1997)

Woods, Ngaire, "International Political Economy in an Age of Globalization" in Baylis, John and Smith, Steve (eds.), *The Globalization of World Politics* (Second Edition), (Oxford, Oxford University Press, 2001)

World Bank, *World Development Report Summary 1997*, (Washington, D.C, The World Bank. 1997)

_____ *World Development Report 2000/2001*, (Washington, D.C, The World Bank, 2001)

Young, Oran, *International Governance: Protecting the Environment in a Stateless Society* (Ithaca, Cornell University Press, 1994)

Zolo, Danilo, *Cosmopolis, Prospects for World Government* (Cambridge, Polity Press, 1997)