Challenges of Globalisation to the Nation State*

PAUL HIRST

ABSTRACT

It has become a commonplace to argue from the 1970s onwards that we have witnessed the creation of a truly global economy, one in which world market forces are stronger than even the most powerful states. In this new perspective nation states can no longer independently affect the level of economic activity or employment within their territories. The job of nation states is to provide the infrastructure and public goods that business needs at the lowest possible cost.

This article argues that the rhetoric of globalisation is largely misplaced, the international economy does not correspond to the model of a globalised economic system nor have national states' roles in economic governance declined to the extent suggested by the most enthusiastic proponents of the globalisation thesis. States are coming to function less as "sovereign" entities and more as the component parts of an international "polity". Nation states are pivots between international agencies and sub-national activities, because they provide legitimacy as the exclusive voice of a territorially-bounded population.

It has become fashionable to assert that the era of the nation state is over, that national-level governance is ineffective in the face of globalised economic and social processes. It is claimed that from the 1970s onwards we have witnessed the creation of a truly global economy, one in which world market forces are stronger than even the most powerful states (Strange 1996). National economies are being subsumed into one global economy, in which international financial markets and trans-national companies dominate. Capital is mobile and will locate wherever advantage dictates. Labour is relatively static, and must adjust its expectations to meet the new pressures of international competitiveness. Distinct national regimes of extensive labour rights and social protection are obsolete, as are monetary and fiscal policies contrary to the expectations of global markets and trans-national companies. The nation state has ceased to be an effective economic manager. It can only provide those social and public services international capital deems essential and at the lowest possible overhead cost. This rhetoric is commonplace among the politicians and the media, but for intelligent

* Paper delivered to the annual meeting of the Finnish Political Science Association 10th January 1997, Helsinki.

versions that argue their case see Ohmae (1990) and Reich (1992).

Nation states in this new perspective have become the local authorities of the global system. They can no longer independently affect the level of economic activity or employment within their territories, rather that is dictated by the choices of internationally mobile capital. The job of nation states is like that of municipalities within states heretofore, to provide the infrastructure and public goods that business needs at the lowest possible cost.

The most diverse voices articulate this rhetoric of “globalisation”. For management gurus like Kenichi Ohmae the new globalised economy allows companies and markets to allocate the factors of production to greatest advantage, without the distortions of state intervention. Free trade, trans-national companies and world capital markets have set business free from the constraints of politics, able to provide the world’s consumers with the cheapest and most efficient products. Globalisation realises the ideals of mid-nineteenth century free-trade liberals like Cobden and Bright, that is, a de-militarised world in which business activity is primary and political power has no other task than the protection of the world free trading system. For the Right in the advanced industrial countries globalisation is a godsend. It provides a new lease of life after the disastrous failure of their monetarist and radical individualist policy experiments in the 1980s. Labour rights and social welfare of the kind practised in the era of national economic management will render Western societies uncompetitive in relation to the newly industrialising economies of Asia and must be drastically reduced. For the radical Left, globalisation proves the reality of the world capitalist system and the illusory nature of national reformist strategies.

The End of the Keynesian Era

Left and right can thus mutually celebrate the end of the Keynesian era. National economic management, full-employment and sustained growth, standardised mass production with large semi-skilled manual labour forces, corporatist collaboration between industry, organised labour and the state – these factors, central to the period of the post-1945 Great Boom, created conditions that favoured the political influence of organised labour and that confined credible political policies to a centrist and reformist path. The dominance of volatile international markets, the change to flexible methods of production and the radical re-shaping of the labour force, fitful and uncertain growth, the decline of organised labour and corporatist intermediation, have all rendered reformist strategies obsolete and reduced the centrality of national political processes, whether competitive or cooperative.There is some truth in the proposition that national politics in the advanced countries is increasingly a “cool” politics. It is no longer a matter of war and peace, or of class conflict. It is no longer a matter of mass mobilisation for common national efforts. For the globalists national-level politics is even less salient because it cannot greatly alter economic and social outcomes, unless foolish interventionalist strategies are adopted that parties undermine national competitiveness.

Hence national politics becomes more like municipal politics, a matter of providing mundane services. Hence energy drains out of conventional politics, away from established parties, and first rate people cease to be attracted by a political career. Energy flows into the politics of morality – into issues like abortion, gay rights, animal rights, the environment, etc.

Activist or “hot” politics can be played as primary politics without fear that this will distract or divert attention from vital “national” issues - for these are now mundane. The decline in the centrality of national level politics, of war, of class conflict and revolution, of effective economic management and social reform, frees political forces from the need to cooperate against enemies without or to collaborate within to maintain national prosperity. Subnationalities and regions can assert their autonomy with less fear – being for example, an active advocate of Breton culture and interests will no longer have the effect of weakening France in its life or death conflicts with Germany. Equally, cultural homogeneity at the “national” level is less central in advanced states linked to world markets, since the nation state as a political entity can offer less. Hence religious, ethnic and lifestyle pluralism can expand within such states and groups within national states grow in significance as alternative foci of allegiance for their members.

These arguments find some force. There is no doubt that the salience and role of nation states has changed markedly since the Keynesian era. States are less autonomous, they have less exclusive control over the economic and social processes within their territories, and they are less able to maintain national distinctiveness and cultural homogeneity. However, we shall argue:

i. that the rhetoric of globalisation is largely misplaced, the international economy does not correspond to the model of a globalised economic system nor have national states' roles in economic governance declined to the extent suggested by the most enthusiastic proponents of the globalisation thesis;

ii. that there are an emerging series of issues in the relationship between governance of international markets and processes and the national governments, states are coming to function less as "sovereign" entities and more as the component parts of an international "polity";

iii. that while the exclusivity of political control of territory has been reduced by internationalised markets and new communications technologies, states retain one control role that implies directly on territory, that of regulating populations. People are less mobile than money, goods or ideas – they remain "nationalised", dependent on passports, visas, residence and labour qualifications. The state is still the exclusive possessor of its territory in that it may include or exclude people.

The Communities of Fate

The state may have less control over ideas, but it remains a controller of its borders and the movement of people across them. Apart from a "club-class" of internationally mobile highly skilled professionals, and the desperate, poor migrants and refugees who will suffer almost any hardship to leave intolerable conditions, the bulk of the world's populations now cannot easily move. Workers in advanced countries have no "frontier" societies like Australia or Argentina, to migrate to as they did in huge numbers in the nineteenth century and in lesser numbers in the 1970's (Castles and Miller 1993). Increasingly the poor of Eastern Europe and the Third World are unwelcome in advanced countries except as guest workers or illegal migrants working for poverty wages. Western societies are shedding labour and local unskilled labour finds it harder and harder to get jobs, hence the pressure to exclude poor migrants. In the absence of labour mobility states will retain powers over their peoples, they define who is and is not a citizen, who may and may not receive welfare. In this respect, despite the rhetoric of globalisation, the bulk of the world's population live in closed worlds, trapped by the lottery of their birth. For the average worker or farmer with a family, one's nation state is a community of fate. Wealth and income are not global, they are nationally and regionally distributed between poorer and richer states and localities. For the vast majority of people nation states are not just municipalities or local authorities, providing services that one chooses according to their relative qualify and cost.

Nationally-rooted labour has to seek local strategies and local benefits if it is to improve it's lot. The question is whether business is similarly constrained, or whether it can simply choose new and more optimal locations. Internationality open cultures and rooted populations present an explosive contradiction. The impoverished can watch *Dallas.* They know another world is possible, whether they are watching it in a slum apartment in an advanced country or a shanty town in a Third World country. The ideology of socialist revolution may have few takers but one should not imagine that the world's poor will remain cowed or passively accept their poverty. Their responses, whether of street crime or guerilla struggles like Chiapas, will be far harder to cope with than old style leftist revolts. Such responses will be local, and less aggregated in ideological terms with other conflicts. Hence such struggles will be left in the main to local states and local elites to contain. The advanced world currently does not think its frontier begins in the jungles of Yucatan in the way it once thought it did in the jungles of Vietnam or Bolivia.

As the advanced countries seek to police the movement of the world's poor and exclude them, the capriciousness of the notions of citizenship and of political community will become ever more evident. Advanced states will not be able effectively to use as a principle of exclusion the claim to cultural homogeneity – for they are ethnically and culturally pluralistic. Exclusion will be a mere fact, with no other logic or legitimacy than that states are fearful of the consequences of large-scale migration. A world of wealth and poverty, with appalling and widening difference in living standards between the richest and the poorest nations, is unlikely to be secure or stable. Industrial workers in the advanced countries fear the cheap labour of well-educated and skilled workers in the upper tier of developing countries like Taiwan or Malaysia. The poor of the Third World see themselves as abandoned by a rich world that trades more and more with itself and with a few favoured NIC's. Both groups are stuck within the borders of states, forced to regard their countries as communities of fate and to seek solutions within the limits of their enforced residence.

Mere nationalism as such will provide no solution to these problems. The assertion of ethnic cultural or religious homogeneity may serve as a cultural compensation for poverty, as an opium of the economically backward, but it will not cure it. The appeal of fundamentalist Islam or other forms of cultural nationalism is to the poor and excluded. Such localising ideologies will continue to be politically successful in areas where significant numbers of people see they have benefited not at all from the world free trade order. But such ideologies will not alter the fact of poverty.

Third World national revolutions as projects of economic and social modernisation have proved failures. They required autarchic withdrawal from world markets, the socialisation of agriculture, and forced march industrialisation. Where such revolutions were most complete, as in Albania or North Korea, they led to societies that reproduced the worst features of the Soviet system. Unfortunately for the world's poor they could not exit the free trade system and transform their societies by their own efforts within their own borders. The problem is that without a transformation in the international economic order, without new strategies and priorities in the advanced countries towards the Third World, and without large-scale foreign capital investment poor countries are unlikely to benefit much from turning away from autarchy either. The point is that in the 1960s the national state solution still seemed viable for the Third World, using the state power available after independence and the legacy of solidarity from the anti-colonial struggle to build a new society. Such third world revolutionary strategies are no more viable now than are social-democratic national Keynesian strategies in the advanced countries.

Governance and the World Economy

There can be no doubt that the era in which politics could be explained almost exclusively in terms of processes within nation states and their external interactions is passing. Politics is becoming more polycentric, with states as merely one level in a complex system of overlapping and often competing agencies of governance. It is probable that the complexity of these superimposed authorities, both territorial and functional, will soon come to rival that of the Middle Ages. But this complexity and multiplicity of levels and types of governance implies a world quite different from that of the rhetoric of "globalisation", and one in which there is a distinct, significant and continuing place for the nation state.

We should make it clear at this point that the issue of control of economic activity in a more integrated internationalised economy is one of govern*ance* and not just of the continuing roles of govern*ments*. Sovereign nation states claimed as their distinctive feature the right to determine how any activity within their territory was governed, either to perform that function themselves or to set the limits of other agencies. That is, they claimed a monopoly of the function of governance. Hence the tendency in common usage to identify the term "government" with those institutions of state that control and regulate the life of a territorial community. Govern*ance*, that is, the control of an activity by some means such that a range of desired outcomes is attained, is, however, not just the province of the state. Rather it is a function that can be performed by a wide variety of public and private, state and non-state, national and international institutions and practices.

Governing powers cannot simply proliferate and compete. The different levels of goverment need to be tied together in a division of functional control that sustains the division of labour in governance. If this does not happen then the unscrupulous can exploit and the unlucky can fall into the "gaps" between different agencies and dimensions of governance. The governing powers (international, national and regional) need to be "sutured" together into a relatively well-integrated system. If this does not happen then these gaps will lead to the corrosion of governance at every level. The issue at stake is *whether* such a coherent system will develop, and it takes priority over the question of whether international governance can be democratic (as forcefully argued by Held 1991, 1995, for example)? The answer to this former question remains moot. But simplistic versions of the globalisation thesis do not help to resolve it because they induce fatalism about the capacity of the key agencies in promoting coherence, nation states.

The nation state is central to this process of "suturing": the policies and practices of states in distributing power upwards to the international level and downwards to sub-national agencies are the sutures that will hold the system of governance together. Without such explicit policies to close gaps in governance and elaborate a division of labour in regulation, then vital capacities for control will be lost. Authority may now be plural within and between states rather than nationally centralised, but to be effective it must be structured by an element of design into a relatively coherent architecture of institutions. This the more simplistic "globalisation" theorists deny, either because they believe the world economy is ungovernable, given volatile markets and divergent interests, and therefore, that no element of design is possible, or because they see the market as a mechanism of co-ordination in and of itself that makes any attempt at an institutional architecture to govern it unnecessary. The market is a substitute for govern*ment* because it is held to be a satisfactory mode of govern*ance*, it produces optimal outcomes when its workings are least impeded by extraneous institutional regulation.

Extreme "globalisation" theorists like Ohmae (1990) contend that only two forces matter in the world economy, global market forces and trans-national companies, and that neither of these is or can be subject to effective public governance. The global system is governed by the logic of market competition, and public policy will be at best secondary, since no governmental agencies (national or otherwise) can match the scale of world market forces. To repeat, this view regards national governments as the municipalities of the global system, their economies are no longer "national" in any significant sense and they can only be effective as governments if they accept their reduced role of providing locally the public services that the global economy requires of them. The question, however, is whether such a global economy exists or is coming into being? There is a vast difference between a strictly *global* economy and a highly *internationalised* economy in which most companies trade from their bases in distinct national economies. In the former national policies are futile, since economic outcomes are determined wholly by world market forces and by the internal decisions of trans-national companies. In the latter national policies remain viable, indeed, essential in order to preserve the distinct styles and strengths of the national economic base and the companies that trade from it. A world economy with a high and growing degree of international trade and investment is not necessarily a globalised economy in former sense. In it nation states, and forms of international regulation created and sustained by nation states, still have a fundamental role in providing governance of the economy.

What Kind of International Economy?

The issue, therefore, turns on what type of international economy is coming into being; one that is essentially supra-national or one in which, despite high levels of international trade and investment, nationally located processes and economic actors remain central? The problems of establishing the kinds of evidence that will count in assessing this question, and of collecting that evidence, are formidable and space forbids their full consideration here. In *Globalisation in Question* (1996) Grahame Thompson and I have attempted to review the evidence for and against globalisation and have argued that the balance of evidence seems to favour the concept of a highly internationalised economy that is based on trade and capital exchanges between distinct national centres. The following points summarise the case against the thesis of a truly globalised economy:

* the number of genuine TNCs is small, most major companies continue to operate from distinct national bases and to wish to retain a distinct national identity, even though they trade in world markets and locate part of their operations abroad;

* both foreign trade flows and patterns of foreign direct investment are highly concentrated, both are overwhelmingly between the advanced industrial states and a small number of NIC's; thus income and wealth remain phenomena that are nationally distributed and which are extremely unequal, thus 14% of the world's population accounted for 80% of investment flows in the period 1980-91 and 14% of the world's population for 70% of world trade in 1992, the world's economy is far from "global", rather it is substantially confined to the Triad of Europe, North America and Japan;

* the figures for stocks and flows of FDI demonstrate that the alarmist version of the globalisation thesis that sees capital moving inexorably from high-wage advanced countries to low-wage developing countries (and with it employment and output) is inaccurate;

* the evidence that world financial markets are beyond regulation is by no means certain, for example, extreme volatility in exchange rates is in the interest only of short-term speculators and periods of turbulence have been followed by more or less successful attempts at stabilisation and regulation, as with the efforts of the G7 in the 1980's with the Louvre and Plaza accords or current debates on the need for a new Bretton Woods system of fixed exchange rates within broad bands (Uzan 1996);

* many commentators assume that rapid growth trends in the developing world (particularly China and South and East Asia) will result in a radical redistribution of output and income; overwhelming the Triad in 20–30 years time – the problem with such analyses is that they project current trends forward beyond the calculable, but if previous historical experience is anything to go by such growth rates (particularly in China) are probably too high to be sustained and generally they seem to depend on authoritarian governments' ability to repress the political protests of the loosers in these highly uneven processes of development, and, as the Iranian revolution of 1978 indicates, this is by no means guaranteed.

The ongoing battles between the public policy of the advanced nations and the major financial markets are by no means settled, but there is no reason to believe market forces will inevitably prevail over regulatory systems, despite setbacks like the unravelling of the EMS. The reason is that most players in the international economy have an interest in financial stability, including the major companies, for whom the reduction in uncertainty is of obvious advantage in their planning of investment, and in their production and marketing strategies. The idea, common among extreme globalisation theorists, that major companies benefit from an unregulated international environment is a strange one. Calculable trade rules, settled and internationally common property rights, and exchange-rate stability are a level of elementary security that companies need to plan ahead, and therefore, a condition of continued investment and growth. Companies cannot create such conditions for themselves, even if they are "transnational". Stability in the international economy can only be had if states combine to regulate it and to agree on common objectives and standards of governance. Companies may want free trade and common regimes of trade standards, but they can only have them if states work together to achieve common international regularation.

Equally, the notion that companies should wish to be trans-national in the sense of extra-territorial is a strange one. The national economic bases from which most companies operate actually contribute to their economic efficiency and not just in the sense of providing low-cost infrastructure. Most firms are embedded in a distinct national culture of business that provides them with intangible but very real advantages. Managers and core staff have common understandings that go beyond formal training or company policies. Genuinely trans-national companies, with no primary location and a multi-national workforce, would have to try to create *within* the firm the cultural advantages and forms of identification that other firms get almost free from national institutions. They would have to get core workers to put the company first as a source of identification and build a cohesive non-national managerial elite that can communicate implicitly one with another. This trans-nationality has traditionally only been achieved by non-economic organisations with a strong ideological mission as an alternative focus of loyalty to countries and states, such as the Society of Jesus. This would be difficult for companies to match. It is difficult to make the firm the exclusive *cultural* focus of an individual's life, and for individuals to make an ongoing commitment to one company, entirely removed from national connections. The Japanese managers and core workers who see the firm as a primary and ongoing social community do this in a *national* context where this makes sense.

National Advantages

Companies benefit not just from national business cultures, but from nation states and national communities as social organisations. These national business systems are quite distinct from the forms of homogeneity preached by cultural nationalists, but they remain tenaciously distinctive in a way that many other forms of national culture do not. Companies benefit from being enmeshed in networks of relations with central and local governments, with trade associations, with organised labour, with specifically national financial institutions orientated toward local companies, and with national systems of skill formation and labour motivation. These networks provide information, they are a means to co-operation and co-ordination between firms to secure common objectives, and they help to make the business environment less uncertain and more stable – a national economic system provides forms of reassurance to firms against the shocks and the risks of the international economy. Such national business-orientated systems have been most evident in Germany and Japan, both of which have had strongly solidaristic relationships between industry, labour and the state.

But national advantages are not confined to those societies whose institutions promote solidarity in order to balance co-operation and competition between firms and between the major social interests. The USA has a national business culture that emphasizes competition and the autonomy of the individual corporation, but US firms have very real benefits in remaining distinctly American. For example, that the Dollar remains the medium of international trade, that regulatory and standard-setting bodies like the FAA and FDA are world leaders and work closely with US industry, that the US courts are a major means of defense of commercial and property rights throughout the world, that the Federal Government is a massive subsidiser of R & D and also a strong protector of the interests of US firms abroad.

The globalisation theorists paint a picture of a world set free for business to serve consumers. States and military power cease to matter in the face of global markets. In this view economics and politics are pulling apart, and the latter is declining at the expense of the former. As markets dominate and the results of markets are legitimated by free competition and seen to be beyond national control, so states come to have less capacity to control economic outcomes or to alter them by force. Attempts to use military force for economic objectives against the interests of world markets would be subject to devastating, if unplanned, economic sanction: plunging exchange rates, turbulent stock exchanges, declining trade, etc. War would cease to have any connection with economic rationality – most societies would have become inescapably "industrial" rather than "militant". War would become the recourse of failed and economically backward societies and political forces, driven by economically irrational goals like ethnic homogeneity or religion. This world free for trade is the dream of classical economic liberalism since its inception.

Markets and companies cannot exist without a public power to protect them, whether it is at the world level with the major states confronting authoritarian regional powers seeking to annex wealth by force, as with Sadaam Hussain's seizure of Kuwait, or at the local level of policing against pirates or gangsters. The advanced states do at present trade predominantly one with another and, indeed, are unlikely to fight one another. But the world's free trading order does require military force to back it and this only the advanced countries and, in particular, the USA, can provide.

The advantages provided by public power to companies and markets are not confined to the national level. Indeed, for many vital services to business and forms of co-operation between firms national-level institutions are too remote for adequate local knowledge and effective governance. Regional governments are providers of vital collective services to industry throughout the advanced industrial world. In particular, regional governments are the public articulation of industrial districts composed of small and medium sized firms, and are a major reason why such firms can be internationally competitive and enjoy advantages comparable to the economies of scale of larger firms. The existence of regional economic governance, of thriving industrial districts, and of an effective partnership and division of labour between national states and regional governments are central components of the success of national economies in world markets.

If the forgoing arguments are true then companies, large and small, that are active in international markets have a strong interest in the continued public governance, national and international, of the world economy. Internationally they seek a measure of security and stability in financial markets, a secure framework of free trade, and the protection of commercial rights. Nationally they seek to profit from the distinct advantages conferred by the cultural and institutional frameworks of the successful industrial states. If companies have such interests then it is highly unlikely that an ungoverned global economy composed of unregulated markets will come into existence. Globalisation theorists tend to rely either on the providentialist assumptions derived from a simplistic reading of neo-classical economics, that as markets approach perfection and freedom from external intervention they become more efficient as allocative mechanisms, or the gloomy suppositions of the Marxist Left, that international capital is an unequivocally malevolent force and one indifferent to national or local concerns. In the former case, the public power is a virtual irrelevance, its actions (beyond essential tasks like the protection of property) can do little but harm. In the latter case political authority submits to the will of capital and can do nothing to counter it within the existing world system.

In the work of the more extreme globalisation theorists the views that the international economy is ungovernable and that nation states cannot affect economic outcomes are closely linked. The value of "globalisation" for conservative political rhetoric is evident. Local labour must submit to international capital and world competitive pressures. Equally, "globalisation" seems to rule out traditional national social democratic strategies or any active macro-economic policies. But is this the case?

Economic Governance and its Levels

Is the international economy ungovernable? Is public power at the national level unable to alter economic outcomes? There is no reason why either of those propositions should hold in general. Most globalisers have foreshortened memories, they forget that the international economy was in many respects as open between 1870 and 1914 as it is today and that determined efforts were made to recreate it after 1918. The ineffectiveness of national economic management is seen in the context of the decline of Keynesian strategies. But states had public policies with regard to macro and micro economic objectives before the period in which national governments practised demand management. Moreover, the possibility of national Keynesian strategies after 1945 depended on a period of economic growth, but also trade liberalisation through the initial regime of GATT and for at least part of the time a regime of semi-fixed exchange rates through the Bretton Woods system. National strategies relied on a context of international governance of key economic variables. Likewise, the possibility of a common interest between labour and capital at the national level, the condition for state-based social democratic strategies, may no longer hold good even in relatively solidaristic countries like Germany. But, in the broadest sense, localised labour and relatively immobile capital locked into manufacturing and services, both have an interest in preventing the more extreme forces of turbulence in international financial markets. Business will not, therefore, oppose *all* international economic governance. Hence states will find both interest constituencies, labour and capital, supporting a measure of re-regulation of the international economy. This may not be the old national pact between labour and capital reproduced at a supranational level, but it does imply that on the most basic level within nations and between nations there is some considerable commonality of interest in economic stability and the reduction of uncertainty.

Governance is possible at five levels, from the international to the regional:

i. through agreement between the major nation states, specifically the G3 (Europe, Japan and North America), to stabilise exchange rates within world bands and, perhaps, to limit speculative short-term financial transactions by a turnover tax like that proposed by James Tobin, thereby reducing the possible gains from specialising in the short-term recycling of financial assets;

ii. through a substantial number of states creating international regulatory agencies for some specific dimension of economic activity, such as the WTO to police the GATT settlement, or possible authorities to police foreign direct investment or common environmental standards;

iii. through the governance of large economic areas by trade blocs such as the EU or NAFTA, both are large enough to pursue social and environmental objectives in the way a medium-sized nation state may not be able to do independently, enforcing high standards in labour market polices or forms of social and environmental protection – the blocs are big enough markets in themselves to stand against global pressures on specific policy issues if they so choose;

iv. national-level policies that balance co-operation and competition between firms and the major social interests, producing quasi-voluntary economic co-ordination and assistance in providing key inputs such as R & D, the regulation of industrial finance, international marketing, information and export guarantees, training, etc., thereby enhancing national economic performance and promoting industries located in the national territory;

v. regional level policies of providing collective services to industrial districts, augmenting their international competitiveness and providing a measure of protection against external stocks.

Such institutional arrangements and strategies can assure some minimal level of international economic governance, at least to the benefit of the major advanced industrial nations. Such governance cannot alter the extreme inequalities between those nations and the rest, in terms of trade and investment, income and wealth. Unfortunately, that is not really the problem raised by the concept of globalisation. The issue is not whether the world’s economy is governable toward ambitious goals like promoting social justice, equality between countries and greater democratic control, but whether it is governable *at all*. If a process of globalisation were to threaten jobs, investment and living standards in the advanced nations, then it would undercut any prospect of acting against the gross inequalities we see in the world today. That process is also likely to be cut short, for (faced with economic ruin) the major advanced states would raise trade barriers against NICs and attempt to re-localise production.

If such mechanisms of international governance and re-regulation are to be initiated then the role of nation states is pivotal. Nation states should no longer be seen as “governing” powers, able to impose outcomes on all dimensions of policy within a given territory by their own authority, but as loci from which forms of governance can be proposed, legitimated and monitored. Nation states are now simply one class of powers and political agencies in a complex system of power from world to local levels, but they have a centrality because of their relationship to territory and population.

The New "Sovereignty"

Populations remain territorial and subject to the citizenship of a national state. States remain "sovereign", not in the sense that they are all-powerful or omnicompetent within their territories, but because they police the borders of a territory and, to the degree that they are credibly democratic, they are representative of the citizens within those borders. Regulatory regimes, international agencies, common policies sanctioned by treaty, all come into existence because major nation states have agreed to create them and to confer legitimacy on them by pooling sovereignty. Sovereignty is alienable, states cede power to supra-state agencies, but it is not a fixed quantum. Sovereignty is alienable and divisible, but states acquire new roles even as they cede power, in particular they come to have the function of legitimating and supporting the authorities they have created by such grants of sovereignty. If "sovereignty" is of decisive significance now as a distinguishing feature of the nation state, it is because the state has the role of a source of legitimacy in transferring power or sanctioning new powers both "above" it and "below" it. Above – through agreements between states to establish and abide by forms of international governance. Below – through the states' constitutional ordering within its own territory of the relationship of power and authority between central, regional and local governments and also the publicly recognised private governments in civil society. Nation states are still of central significance because they are the key practitioners of the art of government as the process of distributing power, ordering other governments by giving them shape and legitimacy. Nation states can do this in a way no other agency can, they are pivots between international agencies and sub-national activities, because they provide legitimacy as the exclusive voice of a territorially-bounded population. They can practice the art of government as a process of distributing power only if they can credibly present their decisions as having the legitimacy of popular support.

In a system of governance in which international agencies and regulatory bodies are already significant and are growing in scope, nation states are crucial agencies of representation. Such a system of governance amounts to a global polity and in it the major nation states are the global "electors". States ensure that, in a very mediated degree, international bodies are answerable to the world's key publics, and that decisions backed by the major states can be enforced by international agencies because they will be reinforced by domestic laws and local state power.

Such representation is very indirect, but it is the closest to democracy and accountability that international governance is likely to get. The key publics in advanced democracies have some influence on their states and these states can affect international policies. Such influence is the more likely if the populations of several major states are informed and roused on an issue by the world "civil society" of trans-national NGO's. Such NGO's, like Greenpeace or the Red Cross, are more credible candidates to be genuine transnational actors than are companies. It is easier to create a cosmopolitan agency for a common world causes like the environment or human rights than it is to build a rootless business whose staff identify with it above all else in the world.

Moreover, the category of non-governmental organisations is a misnomer. They are not governments, but many of them play crucial roles of governance, especially in the interstices between states and international regulatory regimes. Thus Greenpeace effectively polices international agreements on whaling. Equally, where nation states are indeed as weak and ineffective as the "globalisation" theorists suppose *all* states to be, as in parts of Africa, NGO's like Oxfam provide some of the elementary functions of government, such as education as well as famine relief.

An internationally governed economic system, in which certain key policy dimensions are controlled by world agencies, trade blocs, and major treaties between nation states ensuring common policies, will thus continue to give the nation state a role. This role stresses the specific feature of nation states that other agencies lack, their ability to make bargains stick, upwards because they are representative of territories, and downwards, because they are constitutionally legitimate powers. Paradoxically then, the degree to which the world economy has internationalised (but not globalised) reinstates the need for the nation state, not in its traditional guise as the sole sovereign power, but as a crucial relay between the international levels of governance and the articulate publics of the developed world.

A Note on Further Reading

The literature on globalisation is vast, and apart from the extreme views many authors argue that a fundamental shift has taken place in the international economy: Chase-Dunn (1989), Dicken (2nd ed. 1992), Dunning (1993), Julius (1990), and Kennedy (1993). Ruigrok and van Tulder (1995) challenge the view that companies have become trans-national.

For views of the political system: see Camilleri and Falk (1992) for a careful review of recent developments on national sovereignty, and Horsman and Marshall (1994) for an argument that world economic and social changes are rapidly reducing the power of the nation state. Rosenau (1990) is a valuable review of the changing forces and issues in world politics, as is McGrew and Lewis (1992). Rosenau and Czempiel (eds.) (1993) is the most suggestive source on forms of governance beyond the nation state. Ostrom (1990) is a powerful argument about the conditions in which it is possible to regulate the use of common resources, and shows the formidable difficulties of regimes to govern the “global commons”. Held (1991), (1995) raises the legitimate if deeply problematic issue of democratic government in an internationalising world.

REFERENCES

Camilleri, J.A. and Falk, J. (1992): *The End of Sovereignty*. Edward Elgar, Aldershot.

Chase-Dunn, C. (1989): *Global Formation: Structures of the World Economy*. Basil Blackwell, Oxford.

Castles, S. and Miller, M.J. (1993): *The age of migration : international population movements in the modern world*. Macmillan, Basingstoke.

Dicken, P. (1992): *Global Shift*. 2nd Edition. Peter Chapman, London.

Dunning, J.H. (1993): *Multi-National Enterprises and the Global Economy*. Addison-Wesley, Wokingham.

Held, D (1991): Democracy, the nation-state and the global system. *Economy and society*. Vol.20, No.2 May pp. 138-172.

Held, D. (1995): *Democracy and the Global Order*. Polity Press, Cambridge.

Hirst, P. and Thompson, G. (1996): *Globalisation in Question*. Polity Press, Cambridge.

Horsman, M. and Marshall, A. (1994): *After the Nation State*. Harper Collins, London.

Julius, D. (1990): *Global Companies and Public Policy*. RIIA/ Pinter, London.

Kennedy, P. (1993): *Preparing for the Twenty-First Century*. Random House, New York.

McGrew, A.G. and Lewis, P.G. (1992): *Global Politics*. Polity press, Cambridge.

Ohmae, K. (1990): *The Borderless World*. Collins, London.

Ostrom, E. (1990): *Governing the Commons*. Cambridge University Press, Cambridge.

Reich, R. (1992): *The Work of Nations*. Vintage Books, New York.

Rosenau, J.N. (1990): *Turbulence in World Politics*. Harvester/Wheatsheaf, Hemel Hempstead.

Rosenau, J.N. and Czempiel, E.O. (eds.) (1993): *Governance without Government: Order and Change in World Politics*. Cambridge University Press, Cambridge.

Ruigrok, W. and van Tulder, R. (1995): *The Logic of International Restructuring*. Routledge, London.

Strange, S. (1996): *The Retreat of the State*. Cambridge University Press, Cambridge.

Uzan, M. (1996): *The Financial System Under Stress - An architecture for the new world economy*. Routledge, London.