

The attack on the state: a comparison of the arguments

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Introduction

In order to respond adequately to the challenges posed by globalization, it is necessary for national administrations to have a more specified insight into the consequences of globalization for the capacity of nation-states. Recently the sovereignty of the nation-state has been under attack from several sides, attacks sometimes erroneously summarized as globalization. Globalization has — according to many scholars — diminished the possibilities of nation-states to make public policies independently (Hirst and Thompson, 1996). It is claimed that globalization does not pose a threat so much to the external sovereignty of states, but rather to their internal sovereignty (Krasner, 1983; Reinicke, 1998). States exert external as well as internal sovereignty. The internal sovereignty of a state can be defined as the supremacy over all other authorities within its territory and over its population. Its external sovereignty refers not to supremacy but rather to its independence in relation to other nation-states. The internal sovereignty of states is said to be at stake, because what happens within their territory and among their population seems much less a consequence of the policies of the nation-states, but is rather becoming increasingly dependent upon international developments (Frieden and Rogowski, 1996). Four claims surface in the literature.

First, globalization poses new problems, which states cannot handle on their own. International crime, international trade, foreign direct investments (FDI) and international finance are just some of the new policy areas in which the role of states is, at least, ambiguous. All types of firms have become much more mobile and now go to those places where they can profit most from the new developments. Nation-states adapt to these new circumstances to varying degrees and in different fashions. Some have adapted to the new situation to such an extent that the market ideology dominates their performance. They do everything to attract business and foreign investments. Others have tried to intensify their cooperation with other countries in order to standardize the boundary conditions within a

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region, such as the European Union (Milward, 1992). In this case political borders are adapted to economic borders. Others favour protectionist policies in order to bring the economic borders back in line with the national borders, although most nations are reluctant to apply them.

Second, globalization not only has a direct effect on the sovereignty of nation-states, but it also works indirectly through the subnational levels, since state borders no longer constitute the sacred division lines they once were. Institutional arrangements increasingly go beyond the classic territories and subnational levels: regions crossing national borders sometimes see the globalization process as an opportunity to achieve finally what they have never succeeded in doing previously, namely attaining more independence from the nation-state (e.g. The Basque Region, several Northern American and East European regions). Such actors perceive the weakening of the state as a chance to abandon the classic state system of Westphalia (Held, 1995; Ohmae, 1995; Guibernau, 1999). The European Union, for instance, in its capacity of granting subsidies to the regions, can be seen as a further factor undermining the sovereignty of the states.

Third, it is argued that globalization results in a power shift away from the national state to non-state actors, such as NGOs (Matthews, 1997). In the past multinational corporations, in particular, were seen to benefit from globalization. Recent research points to the increasing capacity of non-profit NGOs as well as international organizations to affect both the agenda-setting process and the implementation stage of national and international policies (Reinalda and Verbeek, 1998).

Fourth, globalization works through a functional reorientation of the responsibilities of the market and the state. All over the world, states are pressurized to reconsider their position in relation to the market (Milward, 1992; Strange, 1996). The outcome of the discussion on whether the state should be seen in terms of neoliberalism or as one which, in the classical sense, coordinates and steers, varies (e.g. the more managerialist UK versus the more Colbertarian France).

Nevertheless, all over the world the classical functions of the state are perceived as problematic. For instance, one of its functions is the monopoly on violence. We currently witness an increased advocacy of free market solutions to organizing the policing function, the penal system and even with regard to the military (for instance, concerning the spread of technological innovations). In all these fields the role of the state seems to be afloat (Strange, 1996; Gordon, 1998; Reinicke, 1998).

These developments, which some authors summarize as the impact of globalization, have a number of consequences for the role of the nation-state. This article investigates these consequences. It gives an overview of the arguments used in the recent theoretical literature and tries to get a grip on the assumed relationship between globalization and the role of the state. We concentrate on those arguments which take globalization as the independent variable and the role of the nation-state as the dependent variable. We will not discuss the causes of globalization.

The question underlying this article is the way in which the relationship can be specified in order to reach a conclusion on the possibilities of nation-states. First, we examine the classical functions of the nation-state and their recent development. Next, we try to find our way through the mass of definitions of globalization. Third, we will critically assess the arguments given in the literature in order to explain the relationship between globalization and the performance of the nation-state. In this section several intervening factors which arise from the literature are discussed. In the subsequent sections we will assemble the arguments into a causal theoretical model and critically assess the supposed relationship.

Unravelling the arguments is useful, because it enhances our understanding of the impact of globalization. Taking the arguments seriously points to leads as to whether and where interventions are possible — if one sees the current developments as a serious problem. It suggests guidelines for national administrations to enable them to cope with the pending challenges to their policy discretion which is, of course, directly linked to the possibilities of maintaining their legitimacy and authority.

Definitions

What constitutes the state?

In order to make a sound argument on theories suggesting that the state is under attack, it is first necessary to define what is exactly meant by ‘the state’ and what it is that is under attack. Although we feel very reluctant to use up too much space on dull and uninteresting discussions about definitions, we also feel it is not possible to arrive at sound observations in this case without devoting at least some lines on what is seen as characteristic for ‘states’.

In public administration the definition given by Max Weber is popular, namely that a state is characterized by the monopoly on the legitimate use of physical force within a given territory (Gerth and Mills, 1991: 78). Here there are four features: sovereignty, legitimacy, the provision of internal order and territory. Despite the fact that this definition was proposed over 60 years ago it is still popular today. This suggests that the state is seen as something which is a constant, at best a Boolean: that is, it is or it is not and when it exists, it comprises these four features. In the present discussion, this definition implies that when one of the four features fades away, the state itself is withering. Hence, when territories are blurred or, as in a globalized world, when economic territories no longer coincide with political territories, this is seen as an attack on the state. The state can no longer control the economic activities taking place on its territory and, hence, it loses its internal sovereignty. This may well result in decreasing levels of legitimacy, because the state lacks the capability to act, citizens no longer trust the state, they evade taxes and refuse to participate in elections and there are even problems in keeping internal order (for an analysis of this sequence, see Reinicke [1998]). Consequently, the state is under attack.

The popular usage of Weber's definition fails to appreciate that it is a definition constructed in a specific period and that definitions are nearly always period-bound. Therefore, it is perhaps more interesting to look at present-day definitions, such as that of Van Creveld, who sees the state as emerging from the struggle between the church, empire, nobility and towns. This went on in Europe until 1648 when, with the peace of Westphalia, the previous empire, based on the supremacy of the church over the state, was partitioned, territories were delineated, rights for maintaining armed forces were granted and the principal sovereignty of 'independent' states was guaranteed. It is also significant that the name of God, contrary to all usage of that time, was not even mentioned in the treaties accompanying the peace. Indeed something had changed in that the state had become depersonalized and distinct from the ruler and the ruled. The state continued to evolve into an abstract organization, sovereign in its internal affairs and an equal within the international system of states. Van Creveld sees the most important characteristics of the state as being that it is sovereign, territorial and an abstract organization (Van Creveld, 1999: 416). Sovereignty is no longer limited to a monopoly on the legitimate use of force but refers to the state's general functions concerning welfare, social security, education, providing an adequate infrastructure, providing rules and regulations and the like. The idea is that the state provides for institutions (formal and informal rules, regulating behaviour) which make life easier, i.e. predictable, reduces transaction costs, protects individual property and makes social, cultural, political and economic investments less risky and more profitable (see also North, 1990, 1994).

In the past, states created the organizational infrastructure to expand their functions. Bureaucracies were built, violence was monopolized, an information infrastructure was set up and information-gathering techniques were developed in order to be able to tax, grant, divide and reward services. Slowly, states became fully fledged corporations able to discipline the people within territories; to create a sense of nationalism with myths, heroes and symbols; to monopolize the creation of money, first by guaranteeing and enforcing the value of IOUs, then by monopolizing the printing of such 'securities'; and finally to monopolize the legitimate use of violence and provide for internal security and defence against external threats. In short, the state became the organization responsible for the security of life and when this was accomplished it became increasingly responsible to secure the quality of life by creating a set of institutions profitable for the stable economic, political, cultural and demographic developments within its territory, i.e. the nation.

It is in the context of this development that Van Creveld talks about the recent decline of the state. In his eyes states are increasingly unable to perform their tasks and steer developments, compared to the period before 1975, where he sets the turning point. As explanatory factors, he sees, for example, the near impossibility of using modern nuclear weaponry, the retreat of welfare, the globalization of technological innovations, the inability to counter the threat to internal order and the withdrawal of faith in the state. He speaks of a retreat of the state which is

partly voluntary and partly involuntary and which results in private organizations taking over its functions, even the most classic state functions. To 'rent' a judge, to finance additional police security privately are, for present-day citizens, as normal as it is for modern states to privatize the prison system, immigration services and parts of its administration or to lend out its armed forces to supra-national organizations. The subsequent redrawing of the division between the public and the private at the expense of the former is illustrative of the attack on the state and the victory of the private sector.

However, notwithstanding the value of this historical description, it is debatable whether the developments in the last 25 years comprise a long enough period to make the conclusive statement that the state is in retreat and that this is an ongoing linear process in a direction opposite to the developments of the previous 1000 years, when the state was seen to rise.

In our opinion, to make a valid evaluation of the present position of the state, one has to distinguish between the essentials and the forms of appearance, that is, their present form and functions. As Finer (1999) argues, many developments which occurred in the past — what he calls inventions or 'new' practices in governments — have, in the course of history, become dead-ends, either because the problems they tackled have disappeared or because they have been replaced with better or simpler ways of tackling the problem. These inventions were, however, not essential, since they proved to be dead-ends and their disappearance did not mean that their carrier, that is the state, has also disappeared. In time, only a few 'innovations' of the state have survived and still characterize the modern state. Those features, which we perhaps regard as crucial for the modern state, may nonetheless become equally obsolete as, for example, the sacral monarchy in a previous era. According to Finer, contemporary states possess five basic characteristic essentials:

- States are territorially defined populations each recognizing a common paramount organ of government.
- This organ is served by specialized personnel: a civil service, to carry out decisions and a military service to back these by force where necessary.
- The state so characterized is recognized by other similarly constituted states as independent in its actions on its territorially defined — and hence confined — population, that is its subjects (internal sovereignty).
- Ideally at least, but to a large extent in practice also, the population forms a community of feeling — a 'Gemeinschaft' based on self-consciousness of a common nationality.
- Ideally at least, but to a large extent in practice also, the population forms a community in the sense that its members mutually participate in distributing and sharing duties and benefits (Finer, 1999: 3).

Finer (1999: 79 ff) puts it aptly when he says that the appraisal of the state system lies in the degree to which it performs on criteria like defence, internal law and order, law-making and taxation, public works and welfare, rights and citizenship.

These are, of course, to a large extent related to the constituent elements of states.

He acknowledges that these criteria arise from a European bias but as Finer aptly puts it: 'It so happens that at the moment of writing, when the world is divided into some 180 states, everyone of them has taken the modern European state as its model. This is now the global state-form' (Finer, 1999: 88). These are the five criteria which this article addresses when it investigates the impact of globalization on the state system and the attack on the state. To what extent is the state under pressure in that it loses its ability to perform on these five areas? And to what extent is this a consequence of increasing globalization?

What constitutes globalization?

Like 'the state' globalization is an ill-defined concept. Some see it as westernization, a new form of imperialism, an economic and cultural flattening in which multinational corporations not only increasingly dominate what people think about, but also what they like and dislike, prefer and detest, and hence the choices they make. Others (e.g. Reinicke, 1998) see it as an economic phenomenon, i.e. the increasing possibilities for companies to slice up the value chain and invest wherever it is the most profitable to invest, irrespective of national borders. Technological innovations, deregulation and the speed of innovation both force it and make it possible. Globalization is the increase in FDI, the increasing number of options for business in determining where to produce and where to sell. The world is our market and to have one's headquarters in Singapore, the main investor in Frankfurt, the production facility in Argentine, the assembly plant in Taiwan, the marketing division in LA and the bulk of the purchasers in Australia is a phenomenon that is seen more and more. This makes economics more and more fluid, since next year the production process for the same item can then take place somewhere in eastern Europe, the marketing in the UK, while the purchasers may then be found in South America.

Going through the recent literature one notices that globalization is just like any other magic and fashionable word, in the sense that every author thinks it is his or her duty to give a novel definition of the term. The most general definition is that globalization is nothing else than growing global interconnectedness (McGrew, 1997) or, somewhat more specific, a significant shift in the spatial form of human social organization and activity to transcontinental or inter-regional patterns of relations, interaction and the exercise of power (McGrew, 1997: 8). Held also thinks of globalization as the widening, deepening and speeding up of world-wide interconnectedness (Held et al., 1999) or, more specifically, a process (or set of processes) which embodies a transformation in the spatial organization of social relations and transactions — assessed in terms of their extent, intensity, velocity and impact — generating transcontinental or inter-regional flows and networks of activity, interaction and the exercise of power (Held et al., 1999: 16).

It is not only the definitions but also the indicators of globalization that vary. Some look at institutional convergence and point at tariff agreements, monetary agreements and other examples of harmonization across countries. Others point

at the increasing international transactions, seen in economic interdependence, trade, the number of NGOs and IGOS, and still others use the outcomes of integration, like the convergence of public policies, prices, the convergence of preferences and the convergence (or dominance) of one political ideology (Keohane and Miller, 1996; Held et al., 1999; Prakash and Hart, 1999).

Beside these more general types of definitions and indicators, scholars tend to adapt their definitions to their specific discipline. Hence, environmentalists see environmental globalization, i.e. globalization in terms of the global effects of transboundary pollution, and point at the global ecosystem, the Gaia model and the greenhouse effect. They foresee environmental degradation because the environment is becoming a common good with all the characteristics of Ostrom's model of the 'Tragedy of the Commons'. No one takes, or is able to take, responsibility and everyone tries to get the most out of it.

Scholars in cultural studies talk about cultural globalization, and may point at the global village, dominated by firms like McDonalds, Coca Cola and CNN, and at the increasing dominance of the English language, Hollywood movies and American TV series, of which Sesame Street is the most striking example. They conceive globalization in terms of world-wide homogenization and the disappearance of unique cultures, in which communication plays a crucial role.

(Political) economists see globalization as the deepening structural interdependence of the world economy (Dunning, 1999: 1), a qualitative transformation of the international world economy or as the accelerated internationalization of production; the sharply increased mobility of capital; and the greater mobility of knowledge of information, from communication of messages to the transfer of technology (Strange, 1999: 137).

The impact of globalization on the nation-state

Although one may perceive such definitions and indicators to be rather vague and arbitrary, the opted for definition is often a reflection of the position taken in the debate about the consequences of globalization for the nation-state. Large dissent exists among different authors over the impact of globalization — and all have more or less strong arguments to support their views. Some try to convince us that the effects of globalization are easily exaggerated (Wade, 1996) and that nation-states are alive and well (Stopford, 1999). This is sometimes referred to as the sceptical thesis (Held et al., 1999). Others see it as the beginning of a radically new world order, resulting in the end of the sovereign nation-state (Ohmae, 1995; Greider, 1997) and these are referred to as [hyper]globalists (Held et al., 1999). Still others argue that, although the nation-state will not disappear, there will be a qualitative change in how governments approach their tasks (Castells, 1996; Ruggie, 1996; Rosenau, 1997; Reinicke, 1998) and this is referred to as the transformationalist thesis (Held et al., 1999). The definitions given in the previous section typically reflects the views of adherents of the so-called transformationalist thesis (Held et al., 1999).

A typical description of globalization, by the globalists, is the intensification of

world-wide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa (Giddens, 1996: 64) or the dialectical process which results in local happenings being influenced by, and at the same time holding the capacity to influence, distant events (Guibernau, 1999). Here it is perceived as a new epoch of human history, a borderless world, where the nation-state has lost its role as a meaningful unit of participation (Ohmae, 1995: 5). The main argument is that in this emerging post-modern electronic world concepts of territoriality and geography, essential for the nation-state, are becoming less relevant. The typical illustration such writers tend to use to back up their point of view is that it is no longer impossible to tell where economic production does take place if an Indian programmer stationed in Bangalore, through real-time satellite linkages, upgrades a software system in a bank in New York. However, this is countered by the argument of the sceptics that this only occurs because the rules and regulation are lagging behind the new developments (Aman, 1999). As soon as problems arise in this sort of transactions, new rules will be established that pin such transactions to either international or to the domestic law of one of the nations concerned, thus making the sanctioning of such transactions possible.

The view of the transformationalists is to see the nation-state as developing and changing continuously. Under new conditions the nation-state will adapt again and modify its way of performing its tasks. Their typical example is the EU, where the nation-states have handed over a number of their tasks to this supra-national unit, but where it is also clear that the tasks of the member states have not decreased but rather, at best, changed.

A typical view for the so-called sceptics is to see globalization as nothing new and just a continuation of historical developments towards increased interdependence. Others even question whether globalization is real and anything new. They point at the economic and political blocks still dominating the world scene and at the international interdependence already seen in previous eras. The favourite example they tend to give is that of the French medieval lord, Geoffrey de Joinville, who in the 13th century, married Matilda, the granddaughter of the English lord, Walter de Lacy. Because Matilda brought with her Irish lands, and he possessed French lands, he owed simultaneously allegiance to the kings of France and England (Kobrin, 1999: 160) thus becoming one of the first 'globalizers', creating problems regarding national sovereignty.

Some authors — taking a hyperglobalist stand — reverse this argument and predict that the new world order will resemble the situation in the dark medieval period before the peace of Westphalia; that is before the emergence of nation-states. The post-modern and the pre-modern world order have anarchy in common, territorial sovereignty does not exist, the distinction between the private and the public is absent, the question of nationality is irrelevant, multiple allegiances are common and the elites are transnational and see themselves as such rather than national (Kobrin, 1999). One can, however, dispute this view by asking oneself whether the medieval period was that much different from the

modern state and whether it is justified to call it anarchic. An alternative view is that it was simply organized at subnational levels, i.e. city states and tribes.

Beyond words

All three positions have more or less strong arguments to back the claims about the existence or absence of the impact of globalization on the nation-state. These will be presented later. We will go into the impact different aspects of globalization have on the five 'essentials' of the nation-state as previously defined. Because globalization is a confusing term and can be characterized in many different ways, it is necessary to pinpoint the impact of globalization by its separate indicators. Globalization as the international movement of people has quite a different impact than globalization as the international movement of production and the international trade in products. We will try to trace the supposed type of impact to the indicator used in the argument. For instance, it is argued that, because of growing interdependence, the external sovereignty of nation-states is at stake. The impact of 'diminished external sovereignty' in this case is related to the indicator of 'growing interdependence' and not to the increase in FDI which is supposed to have rather a different impact, namely on the 'internal sovereignty', although interdependence and FDI are both indicators for the concept called 'globalization'.

Arguments claiming the end of the nation-state

First of all, the question is whether developments can be seen in the ability of the nation-state *to defend its population against outside threats*. Some argue that the nation-state has lost this ability with the invention and global spread of nuclear weapons. Because of the existence and spread of such a devastating weaponry, it is hardly conceivable that they will be used. Therefore, nation-states have lost their ability to fight wars and to defend their country. This is — so the proponents argue — visible in the sudden end of the Cold War and in more recent conflicts. Members of the European Union were unable to fight the former Yugoslavia and had to go through extensive deliberations in international organizations like the WEU, NATO and UN before any action could be undertaken. The options for individual nation-states were minimal. A second argument against this basic function of the state is that economics will increasingly dominate security considerations. When economies are intertwined, it becomes very costly if not impossible to start a war. The essential function of a nation-states' ability to defend its population against outside threats suggests that Singapore cannot exist as a state, because it has no military insurance. Nevertheless it does exist and is prosperous. Its economic linkages provide for its security (Ohmae, 1990: 13–14). A third argument is that globalization also implies the spread of democracies and — so goes the argument — democracies do not fight one another (Russett, 1993). Consequently, globalization has had grave effects on one of the most basic functions of nation-states. This function has disappeared, i.e. it has been taken over by international organizations. With a clear western bias, the proponents have

declared the end of warfare through military means. Concluding, this military function of the nation-state has disappeared.

As to the *law-making and taxation functions*, the proponents of the 'end of the nation-state' also have several arguments. First, they see a correspondence between privatization and deregulation, on the one hand, and globalization, on the other. Both are visible from the 1980s onwards. Increasing economic and financial interdependence and the degree to which the growth of national economies is increasingly determined by world trade, changes in exchange rates and multilateral agreements, have meant that nation-states have lost their individual influence on such developments. When Germany sniffs, Holland has pneumonia, was the previous saying. However, under globalization, when the economy in the Far East fails, it has a serious impact on the economies of the West and vice versa. With international trade increasingly dominating economic performance, nation-states lose their power to make regulations and enforce their laws on industry. When they try to do so, they will have to face the consequences of diminished investments and industry leaving the country. The consequences are world-wide deregulation, liberalization and privatization. These are all policies that befall nation-states, without the possibility of choosing alternatives, because doing something other than one's neighbour implies that one might become unattractive in the economic world order and therefore miss the boat to economic prosperity. When a country imposes environmental rules on its economic behaviour within its territory, it runs the risk that the mobile economy will leave this territory, in order to move the production to those states where such regulation is absent. The same goes for income policies, minimum wages and social insurance premiums. When policies deviate from those of neighbouring countries and are also restrictive for business, business will invest elsewhere and the country may be worse off than before. As for taxation, a similar argument follows. When taxes become too high compared to those in other states, people and business in this globalized world will move out of that country and go where the tax system is more lenient and less costly. This leaves nation-states with nothing and eventually they lack the capability to change the tax system according to their preferences. This implies they no longer have the ability to extract manpower, money and material to carry out their functions and that they will, in the long run, lack the resources to do so. As evidence for this development, one can point to increasingly flattened taxes, nowadays visible in the OECD countries, which is quite different from the income-levelling tax policies of 30 years ago, when marginal taxes could vary from 15 percent for low incomes to as much as 70 percent for high-income groups. As for taxing business, with increasing FDI and the growing number of multinational corporations, it is no longer clear where profits are made. According to business their profits are, of course, made in other (tax-friendly) countries. The existence of tax havens, and the possibility to shift funds and profits across national boundaries, may create incentives for nation-states to rush to low taxation (Dunning, 1999: 314) in order to become tax havens themselves and to get at least a small part of the money involved.

Deregulation, privatization and market liberalization are among the prime factors promoting further globalization. Consequently, a self-reinforcing process is visible in which the possibilities of nation-states to steer or direct these developments vanish and in which, in the end, they lose all control over international trends. Again, the functions are taken over by international organizations, like the World Bank, the IMF, the WTO and the BIS. This implies that the second basic function of nation-states is also under pressure.

The third basic function is the ability of nation-states *to repress and prevent crimes of violence and civil wars*. According to Strange (1995: 56), such state authority has leaked away, upwards, sideways and downwards. In some matters it seems even to have gone nowhere, just evaporated. Others point out that surrendering crucial aspects of the nation-state's sovereignty to supranational institutions goes hand in hand with the process of devolution of power to substate units (Guibernau, 1999: 170). In this respect one can point at the increasing role of other than state-controlled police forces, for instance, regional, privatized and transnational police agencies. Regions like Catalonia already have their own police force. In the United Kingdom the private security sector employs more people than the entire uniformed police force (Kobrin, 1999: 178). Rich people, supermarkets, industries and even sport clubs are no longer dependent on governments to protect their property or prevent violence. They hire their own protection. Furthermore, globalization is not just an economic phenomenon, crime also goes global and there is thus a strong urge for a transnational police force able to counter this threat to law and order. This goes for the fight against drugs, money laundering, computer crimes et cetera. Consequently, the globalists say, since the territories of, for instance, crime do not coincide anymore with state territories, the nation-state level is not the right level at which to prevent crimes of violence, and therefore the latter's authority will diminish.

The fourth basic function of the nation-state is its ability *to improve the quality of life and community feeling*. First of all, the previous arguments imply that the nation-state increasingly lacks the resources to fulfil this task. Governments are increasingly business-oriented and can no longer take care of the quality of life. Where one of its possibilities to improve the quality of life always was to redistribute some of its income from the rich to the poor, nowadays this is becoming impossible, because the rich will evade their contribution, by leaving the countries that have such policies. To quote Dunning (1999: 15), 'in view of the persistent budgetary deficits and the opposition to both inflation and higher taxation, states will eventually downsize some functions, primarily the social policies traditionally associated with the Keynesian welfare state'.¹ Falk (1999: 102) puts it even stronger when he states that globalization, as shaped by neo-liberal ideology, is incompatible with the earlier project of the humane or compassionate state. It confines the effective role of the new multilateralism, at least for the foreseeable future, to the civil and political domain. The evidence is found in the simultaneous downsizing of the welfare state seen in, at least, the OECD countries and the emerging globalization. The present form of the globalization

process is generating a global social hierarchy of a relatively affluent sector integrated into the global economy, a more socially and economically dependent precarious sector sustaining the integrated group and an excluded group that plays no significant role. This is partly due to governments disciplining themselves to make their economic policies conform to global-economy growth, which involves, as side effects, a reduction in social protection, risks to the biosphere and the mystified structure of global governance which escapes democratic accountability and challenges civil society (McGrew, 1997: 61). Furthermore, states delegate functions to supranational, subnational and private organizations. There seems to be a constraining effect due to globalization, resulting in fewer possibilities for nation-states to function hierarchically and with as much sovereignty as they were used to. In this view they have to accept that a multilayered governance structure has been created, in which it is becoming more and more hazardous to develop policies which deviate from those in other countries. Examples are the liberal policies on drug use in The Netherlands, which were severely criticized by France and, to a lesser degree, by Germany. These more restrictive neighbouring states saw their citizens just drive across the border in order to buy the precious goods and create trouble again in their own countries. The porosity of the borders between states implies that the effects of national public policies become supranational.

The fifth function of the state regards its *ability to treat individuals as citizens instead of subjects and to do justice to the state as a partnership agreement*. According to the most critical observers, globalization lacks democratic institutions, is insufficiently disciplined by law, does not pay attention to human rights, lacks effective modes of participation, lacks mechanisms of accountability, results in obscure political processes and lacks an agenda to correct the growing imbalance between private and public goods in relation to the persistence of poverty amid affluence, health, education, housing et cetera (Falk, 1999).

Irrespective whether one agrees or disagrees with this provocative argument, several of these points are also addressed by less antagonistic scholars. The issue of the democratic deficit, for instance, is explicitly addressed by McGrew (1997). He starts his argument with the notion that liberal democracy assumes a direct and symmetrical correspondence between government and the governed (see also Held, 1996). Democracy means certain rights and such rights have to be guaranteed. Normally the nation-state takes care of this. However, who guarantees such rights if decisions made in Hong Kong affect the position of people working in Western Europe or vice versa? With emerging globalization, the previously existing correspondence is disrupted, since accountability no longer necessarily coincides with 'the spatial reach of sites of power'. This means that the key decisions in the present process of globalization are not controlled by any democratic mechanism, despite the growing number of 'democratic' states. NGOs and IGOs at an international level and the regions at a subnational level lack the institutional framework that surrounds the nation-state and that often guarantees civil rights at that level. Elections, participation procedures and other instru-

ments which influence the decision-making processes on these levels are not evolving in the same manner as the influence of these organizations.

Concluding, the globalists argue that the increased interconnectedness called globalization negatively affects all the essential functions of the nation-state. First, this is a consequence of national borders losing their relevance. Since there is a widening gap between economic and political territories, the latter have to adapt to the former, which implies the end of the nation-state system as we know it. In a borderless world states can no longer claim their central role (Ohmae, 1995). It is also because nation-states have lost their primacy in developing new public policies to international business, supranational organizations, NGOs and IGOs, on the one hand, and subnational actors, on the other hand. The role nation-states can play in this web of actors is marginal. Third, nation-states have had to adapt to the prevailing dominant neoliberal ideology, in which political considerations are replaced by managerial considerations and deregulation and privatization are central. Finally, it is because they increasingly lack the resources to develop new policies, since their ability to raise taxes is severely hampered by the global flow of industry and finance. Spruyt (1994) concludes that in previous eras states' institutional logic gave them an advantage in mobilizing their societies' resources; now they are losing their organizational advantage in the provision of public goods.

Arguments claiming a resilient nation-state

That economic integration has narrowed the scope of effective policy instruments that states can employ, and the withdrawal of the state, as visible all over the world, as a consequence of globalization is a disputed observation (e.g. Dunning, 1999; Kurdle, 1999). The sceptics point out that other developments took place at the same time as the tendency towards globalization. These can explain the shrinking of the public sector as well as globalization, namely economic stagnation, the collapse of the Soviet Union, the end of the Cold War and the excessive growth of the public sector in the 1960s and 1970s which was bound to cause a reaction. One may also dispute the impact globalization has at present. Although the index for FDI in 1995 was five times the 1984 level, it still comprised only 1.19 percent of GDP in OECD countries (Van Kersbergen et al., 1999).

Kurdle takes the slow growth in domestic production and the increasing demand for skilled labour as explanatory factors. His main point is that most of the economic challenges of the industrial countries result from the simultaneous confrontation of similar problems and not primarily from their market interaction with each other. To quote him: 'I do not regard such phenomena as deregulation "reinventing government" or governmental devolution as caused by market globalization, but rather by a common search for more responsive institutions and higher living standards' (Kurdle, 1999: 216). As to the question of the impact of the global financial market and migration trends, he still sees powerful instruments for the nation-state to regulate this. First, it can set personal tax with great independence, because citizens can only escape this through the major act of

abandoning their citizenship, which they rarely do. Second, the state can stimulate or avoid immigration to any extent it chooses. The failure to control immigration is, according to him, mainly a political and not a technical problem (Kurdle, 1999: 230). It requires political will to give asylum to political refugees from third world countries and it is a political question whether to allow migration flows.

That states can only develop policies together with other states and that country-specific policies will only have drawbacks is also contested by Dunning (1999). He makes the point that country-specific policies are still possible and can be effective. First of all, the nation-state still has a crucial role to play concerning the reduction of transaction or coordination costs.

With the rapid growth of cross-border business activity and the increased role of regional blocks and supranational agencies or 'clubs' of one kind or another the need for a firm and intelligent government voice in the international debating chambers should not be minimized. (Dunning, 1999: 8)

The role of government may change, but this does not mean it will become less important. The classic functions are still intact and it even obtains new ones. Furthermore, only a small portion of business is global — the majority is still domestic. Although business becomes internationalized, there is still a hierarchy within the organizations and a single line of command, which can be located in organizational space. That territories become porous and even blurred does not imply that the role of the state is problematic. Rules are still necessary and, as always, lag behind new developments (Aman, 1999). It is for this kind of transactions that governmental rules are necessary. Otherwise the hazards of such transactions and thus the transaction costs would become too high.

On the basis of ten country-specific case studies, Dunning argues that country-specific policies can still be effective. Although economic policies may change under the influence of globalization, states can still opt for being the prime mover, conductor and/or defender of competitiveness. A tendency can be seen where governments increasingly opt to orchestrate. They do this by creating new sources of competitiveness, by taxing heavily the business they do not want to attract and subsidizing the business they do want to attract. Other instruments are to provide an efficient infrastructure, to foster a climate of expectations and to create standards of behaviour, to invest in training and education and to provide effective administrative guidance. Therefore, they conclude, nation-states are still alive and well.

Furthermore in a world full of transactions there may even be a more crucial job for government in reducing the costs of those transactions. It is a fairy tale that business goes to those places where they can produce at the lowest costs or where wages are minimal. Security, social stability, productivity, a good infrastructure in its broadest sense, education systems and health are public goods, to be taken care of primarily by national governments, and a necessity for business. Thus, Dunning suggests a role for national governments as vision-setters and institution-builders, as ensurers of availability of high-quality locationally bound inputs,

as smoothers of the course of economic change and as creators of the right ethos for entrepreneurship, innovation, learning and high-quality standards (Dunning, 1999: 15).

As for the five functions of the present-day nation-state given earlier, the sceptics believe them to be fully intact. Nations vary in their policies on each of these five points and indeed have a sovereign choice to extend their policies in one of the five areas or to diminish them. Every nation-state still invests in its defence capacity. They still make laws like they always used to. Even if there is an international trend towards deregulation, this is a political choice states are able to make because they still possess enough sovereignty. It is not a necessity. The same goes for taxation where an international trend towards flattening them is seen but this also is, by no means, a necessity. As to public works, welfare and civil rights, it is also the nation-states that have to take care of them, because of the absence of alternative providers and because the sceptics still see the advantage in the institutional logic thereof.

In conclusion, the sceptics dispute that globalization has any significant impact on the role of nation-states. That a general withdrawal of governments was seen in the 1980s was due to common problems not to intensified international transactions. Governments still have a crucial role to play. They can still differ in the policies they develop out of their singular preferences, without endangering their effectiveness (Dunning, 1999). Second, supranationality is compatible with the nation-state (Van Kersbergen, 1999: 16). There are changes in the environment of states, but this environment has always evolved and this is nothing new. Third, the number of nation-states has increased rather than declined in recent years. The most important argument of the sceptics, however, is that globalization is not something that befalls you, but something one can opt for. And when it is a matter of choices, these can be influenced, steered and altered.

Arguments claiming the transformation of the nation-state

The proponents of the transformation of the nation-state have a comfortable position. They can accept all arguments from the other parties and say, 'Yes, you're right, but . . .'. The point made by Held et al. (1999) is that the middle position is the most fruitful and they conclude that 'globalization is not, nor has it ever been, beyond regulation and control' and 'does not prefigure the "end of politics" so much as its continuation by new means' (p. 444). Distinguishing between pre-modern, early modern, modern and contemporary globalization they see continuation as well as fundamental changes. The contemporary variant of globalization has to be seen as a continuation but possesses some distinct features. These are seen in terms of its intensity and velocity; the unprecedented institutionalization; its impact on a range of aspects of social life; its contestation in all spheres, as states, citizens and social movements seek to resist or manage its impact; its really global character being less Euro-centric or Atlantic-centric; its impact on the internal sovereignty to the nation-state; and its impact on the character of democracy and democratization. Therefore, they conclude that

[o]ur political institutions will have to change if some of our more cherished notions — a circumscribed political realm distinct from ruler and ruled, the rule of law, political accountability, social justice and a self-determining people, to name but some — are to retain their relevance and efficacy in the millennium ahead. (Held et al., 1999: 452)

An interesting position is taken by those scholars who claim that globalization is not something that befalls the world, but something that is opted for out of rational reasons. Where most would look at globalization as a macro-level phenomenon, Reinicke (1998), for instance, conceives globalization as a micro-economic phenomenon. This is an interesting point of view, because it offers an alternative explanation for globalization. According to Reinicke, there is a fundamental difference between growing interdependence, which is visible throughout history, and the specific type of globalization, which has been taking shape during the last 25 years. Interdependence results in smaller distances between sovereign nations, more cooperation on a macro level and therefore decreasing external sovereignty. Nation-states become more vulnerable and sensitive to each other's policies. From an economic point of view, the dependencies are horizontal. It is about firms located at a specific geographic point, operating, however, on the international market. In his view, globalization is seen in the internationalization of vertical dependencies within companies. It is about FDI and the adjustment of the product cycle, in which parts are made in this country and other parts in another country, after which it is assembled in a third country, getting its capital in a fourth country, arranging its marketing in still another country et cetera. Globalization is a result of global strategies and decisions made within firms. Globalization is a consequence of choices and thus follows the rules of micro-economic theory instead of macro-economic theory. Its driving forces are, according to Reinicke, the liberalization of markets, deregulation by governments as well as technological developments, making globalization possible; the speed of technological innovations, the shortening of the life cycle of products, increased competition making such globalization necessary. Firms have to move the production to those areas where it is optimal in terms of efficiency and effectiveness. As such globalization is, according to Reinicke, not something that befalls you, but something you can opt for. Of course, the changing boundary conditions at the macro level partly determine the feasibility of such choices, but they remain micro-economic decisions.

His point is that nation-states still have a choice in which way to react to and how to steer these developments. According to Reinicke, nation-states have three alternatives. First, offensive intervention, that consists of policies that make the nation attractive for foreign investors, by, for instance, lowering taxes, deregulation and the provision of a good infrastructure. The second option is defensive intervention, that is, policies to keep globalization outside the nation by protectionist measures and high tariffs. The third option is global public policies, which means opting for the development of international standards by cooperation with other nation-states and by applying the concepts of subsidiarity and self-regulation. Although, according to Reinicke, in the long run only the last option is

feasible, they still have a choice. Governments might lose their grip on what is going on their territories and often cannot even trace whether something took place on their territories or somewhere else. Its prevention is only possible by cooperation. Cooperate with business and with other governments in order to produce standards to which business in all states has to conform, and ensure that business regulates itself, is his adage. That this may result in complex processes is illustrated by his examples of the international financial system, policies against money laundering and dual use trade. These are some of the new problems arising in the globalized economy where internationalization and the increase of foreign direct investments have serious side effects for national economies and populations and thus require governmental intervention.

Dunning agrees that a strengthening of regional and global interaction networks is visible, but according to him, they do have multiple and variable impacts across diverse locales. The power centres become increasingly fragmented, but there are significant differences between states to the degree that they are affected by patterns of globalization. Sometimes national autonomy is compromised, as in the case of the EMU, but simultaneously tasks are also extended, for instance, the implementation of supranational policies.

As to the five points, the transformationalists do see changes. At some points the nation-state's capacity is reduced but in other respects it is extended. According to these theorists, the nation-state increasingly has to seek alliances with other states, with the private sector and other stakeholders in order to accomplish its objectives without too many negative side effects. But it is their additional task to induce such interactive governing — and it is their task to build strong policy networks in order to let governance flourish, and to see to it that the interactive processes materialize in a way that is also profitable for the population as a whole. Investments in defence have to be geared to another between partners in alliances, taxation and laws increasingly take the interests of international investors into account and public works and welfare are processes in which co-production and interaction with other actors is increasingly a necessity. Such interactive processes result, in the sceptics' view, in more democracy and a transformation from representative to direct democracy.

Concluding, the transformationalists agree with the globalists that globalization has an impact on the position of the nation-state, but according to them, it is a less severe impact. States will lose some of their power and cannot act as the 'primus inter pares' anymore. They agree with the sceptics that nation-states will not disappear but, according to them, the role of nation-states will be transformed. In policy processes they will become ordinary, but still necessary actors. Their main task will be to sit at negotiating tables together with regional authorities and supranational regimes. The position of the transformationalists is that, although it is unlikely that intertwined states will go to war, one should be cautious about giving up one's defensive capabilities altogether. It is too soon to make such drastic decisions. And although it may be difficult to develop one's own deviant tax policies, it is still possible to do so and to attract the kind of business one

wants to attract. This can be done through differentiated taxes for different producers. States can also still contribute to and are still decisive in enhancing the quality of life for its citizens. They have the major responsibility for steering their economies with minimum social hardship and the maximum support for resource restructuring and manpower retraining. Hence, states should respond to the changing conditions caused by globalization processes, by changing their way of doing things. The recommendations are more interactions with their environment, less direction and more orchestration. In that case a clear and important function for the state remains. The new world order may result in a transformation of the state to the point that those elements being considered as essentials of nation-states nowadays may not be the essentials of the future nation-state. This implies a change of priorities and change of instruments accordingly.

An analysis of the arguments

The previous section has shown that each of the three points of view has its own line of argumentation. This section is meant to unravel these arguments and to investigate whether the three positions are compatible or whether the discussion resembles a so-called dialogue of the deaf. Such dialogues are seen when many people talk and no one listens; when people talk past each other, advancing arguments that are valid in their own right but which differ fundamentally from each other (Van Eeten, 1999: 2). In our opinion this is also present in the discussion about the impact of globalization on the nation-state. There are strong believers on either side and in the middle of the debate. Each side has its own favourite illustrations, and partly a unique line of argument.

Different definitions, different claims

The conclusion must be that the different sides do not talk about the same phenomena, because they define the nation-state and globalization differently. The way in which one, for instance, defines nation-states does make a difference. One can look upon the nation-state first in a classical way in terms of general sovereignty over a given territory, according to the Westphalian idea. Second, one can distinguish between external and internal sovereignty in relation to other actors. And third, one can take a historical perspective in order to argue that nation-states go through a constant process of evolution.

It is interesting to see that those having the most revolutionary ideas about the impact of globalization often also use the most classic definition of the nation-state, in which sovereignty over a given territory is crucial. At the same time, those who hardly see anything new often take the long-term perspective in which the state continuously evolves, as does international interconnectedness. Those seeing a transforming state often distinguish between external and internal sovereignty. They state that only the latter is at stake and see the state in that area being transformed from a hierarchical unit into an ordinary unit within a network of stakeholders.

Different theories, different claims

The second remark, on the discussion on the impact of globalization on the state, is that it does make a difference from which theory one departs. Seen in *neo-institutional* terms, the role of the state is expected to increase. It has to find solutions for protecting property rights in a diffused world and come up with regulations to reduce the transaction costs — in its most general meaning — in a world in which transactions dominate.

Seen from a theory in which *power* is the crucial factor, scholars may point at a transformation, in which the public sector loses ground and the private sector gains in influence. The latter can go wherever it is the most profitable and this gives them a bargaining advantage, because they can blackmail governments with the threat to withdraw investment. Thus the influence of the private sector over the public sector is at stake and governments have to adjust their policy-making process. Governments lose power to supranational, subnational and private actors.

Seen from a globalist perspective, states lose their position by definition, since their existence is based on archaic concepts, which are irrelevant in a world where nationality loses its meaning and territories become merely administrative units.

Different indicators, different claims

Third, the phenomena examined (i.e. the indicators used) determine whether globalization is real and whether it has an impact on the role of the nation-state. As to globalization, it does make a difference whether one looks at trade, FDI, the absolute figures or relate them to GDP, whether in cultural terms one looks at the dispersal of American culture all over the world or at the nationalism visible at soccer matches. Looking at trade, one sees a continuation of international connectedness. Looking at FDI, one sees a clear growth in interconnectedness and, relating the two indicators to the total economic production, the conclusion is that globalization is only a marginal process.

It also makes a difference whether one takes globalization to be a multi-dimensional, an economic or a political process. It is important whether one sees it as something that befalls the world or as something that can be orchestrated, if not steered, or even as something which is brought about by political decisions.

The illustrations which each side uses blur the discussion as much as they are useful in making a point. This goes for the previously mentioned software engineer in Bangalore updating a computer system in New York through a real-time satellite connection, the European Union and its impact on the member states, and the multiple allegiances of Lord Geoffrey de Joinville in the 13th century. By themselves they prove nothing.

Different values, different claims

The fourth dimension, necessary for understanding the differences, distinguishes the positive from the negative valuation of the state and of globalization. Those who see the state as pejorative, and globalization as having only positive con-

sequences, can hardly wait for the decline of the nation-state. This influences their claims. They seem to have a vested interest in stating that the days of state are over. Albrow, for instance, states that the prospect of a proliferation of new sovereign nation-states is, on the basis of the recent past, an ugly prospect (Albrow, 1996: 181). This also goes for those favouring the independence and/or even secession of regions (e.g. Guibernau, 1999). In this literature the process of globalization is seen as something to be supported, because it opens possibilities for substate regions in their struggle for independence from the nation-state. According to Guibernau, movements in Catalonia, Scotland, the Basque country, Quebec and Northern Ireland, Kurdistan and natives in the USA all see globalization and its supposed impact on the disappearance of the nation-state as a possibility to achieve what they never could accomplish, namely secession. The argument goes as follows. As geographic territories lose their relevance, there is likely to be a gap in power and authority. The relatively large cultural homogeneity of regions, compared to nation-states, gives them a comparative advantage and they may well fill this gap. The increased importance of supranational institutions goes hand in hand with a process of devolution of power to substate units.

Those who are more positive about the nation-state and critical about the impact of globalization reach a rather different conclusion. Looking at the severity of the problems arising from an interconnected world, they foresee more functions for nation-states. Often mentioned are a reduction in the democratic deficit, the prevention of economic hardship and the promotion of economic growth by improving infrastructure, education, living conditions et cetera.

In conclusion, the present discussion about the impact of the nation-state is characterized best as a dialogue of the deaf. Disagreement about definitions, indicators, theories and valuation determines the debate.

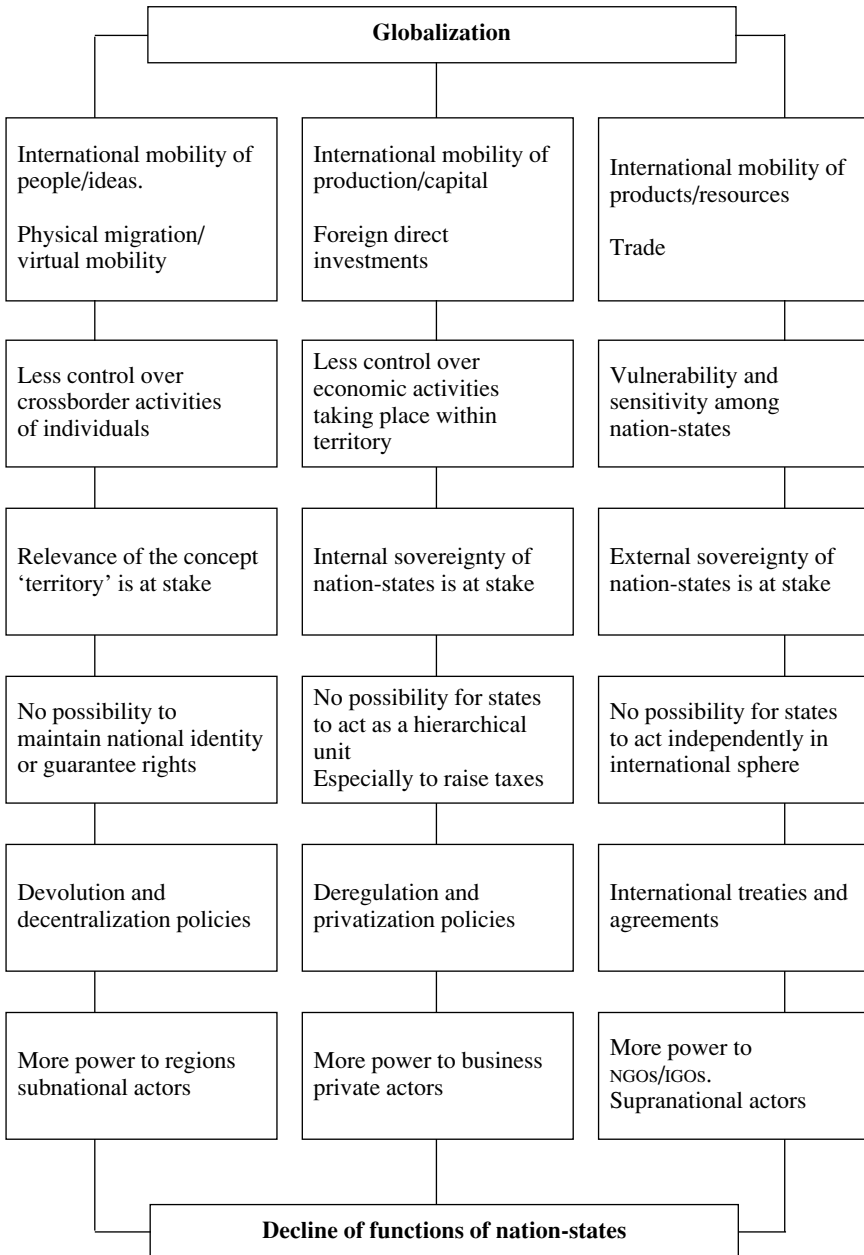
Is there a way out?

To finish this article by stating that the present discussion is a dialogue of the deaf would be a disappointing ending. One way out is to model the different claims, making it possible to contrast their respective strength. This section intends to do this. We start with a model of the argument of the globalists which is given in Figure 1. The crux of this model is that the decline of the nation-state is due to globalization through three different paths, in which the gap left behind by the decline of the nation-state is filled by subnational actors, private actors and supranational actors respectively. The concise sketch of argument is given between the upper block (globalization) and the lower block (decline of the nation-state).

The model is based on the preceding analysis although it has filled some gaps in the arguments in order to make the argument understandable. It is intended to increase the transparency of the discussion by pointing out where the arguments differ. On the basis of such a model the dimensions of the discussion can be highlighted. Four of them are now sketched.

First, the dispute is about the terms. Sceptics dispute the relevance of globalization when relating it to domestic affairs. They see the international movement

FIGURE 1
A model of the globalist view on the impact of globalization on the role of the nation-state



of people, production and products as negligible. They also see no significant difference with previous times when it comes to state control. They may dispute whether nation-states have ever had such a complete control over borders, economic activity or could ever have acted independently in the international sphere. The debate then becomes a question of measurement. To what degree does globalization exist and develop?

The second counter-argument is the one from below. First, one might dispute whether nation-states act significantly different from before. Is decentralization and devolution of power and responsibility, for instance, a global phenomenon or does it have to be seen as something to be temporarily paid attention until, after a while, the opposing trend of centralization surfaces again? Empirical research seems to support the latter point of view (De Vries, 2000). The same applies to the power of the free market and private actors. This has already been seen at the beginning of the industrial revolution — the negative consequences of which were, according to the sceptics, the main reason for nation-states to extend their influence. This debate then becomes a historical question.

Third, one can pinpoint the debate around the sole determination of the globalization process on each of the developments. Sceptics may point at developments occurring simultaneously in the 1980s and 1990s and may pin the withdrawal of governments to quite different factors such as the shrinking of the world economy and trade in the early 1980s, budget deficits, the developments in information technology and its impact on the organization of economic production et cetera. Globalists might counter this argument by saying that the occurrence of these common problems is part of the globalization process. How else could they occur at the same time? They are not entirely correct in this respect, because globalization is growing interconnectedness, and if a decrease in trade is also an aspect of globalization, its definition becomes even more blurred.

Fourth, one can turn the model upside down. In this case the decline, or better withdrawal of national governments, induced a stronger position for subnational, private and supranational actors. The priorities of nation-states shifted towards an internal orientation. The previous excessive growth of governments was perceived to be detrimental, and efficiency, reorganization and going back to the core business became the magic words. Thus it was a deliberate policy to shift power and responsibility to the subnational, private and supranational actors. This resulted in intended decentralization, deregulation and privatization policies and international cooperation. It was intended, because it seemed a profitable way out of the economic crisis. In this conception, nation-states accepted the side effects of a democratic deficit, the strong position of the free market and tighter transnational boundaries. Because this policy change promoted globalization, one can even argue that globalization itself is induced by national political choices. This debate can be pinpointed to different predictions. From the sceptics' point of view, one expects a return of government when the economy recovers. From a globalist perspective the trend is linear and, no matter how the economy develops, the role of nation-states declines.

The same arguments, different claim

Another way of analysing the discussion is by not looking solely at the differences between the claims, but taking the arguments of all sides seriously. This results in quite different conclusions than those derived from the previous arguments. All sides agree in their claim, namely that there is nothing nation-states can do. The globalists argue that it is impossible for states to act in reaction to globalization. The sceptics argue that it is unnecessary for nation-states to react and the transformists say that the state has to react as usual and has to adapt to the changing circumstances. Perhaps it is a consequence of the dominance of neo-liberalist ideology for more than a decade, but it is striking that hardly any theory on globalization points to the necessity and possibilities of nation-states showing any pro-active behaviour, in order to steer the globalization process. Unravelling the arguments of all sides and taking them seriously, however, can only result in the conclusion that this is exactly what is needed.

From the globalist point of view one may deduce that globalization is growing and that this does affect the essential functions of nation-states. The model presented here points out that the essential functions are at stake and, if they do not disappear, they are likely to be taken over by regions, the free market and international organizations. Thus, according to them a real threat to the nation-states and their inhabitants does exist and is growing. The sceptics may be equally right in their argument that the impact of this threat is still minor, and that states are still key actors in the process of shaping the conditions of their citizens and socioeconomic developments.

Taking the two points together, one reaches a different conclusion from all three sides in the debate. In order to counter the threat posed, and provided that the threat is not yet that large, the claim can only be that it is still possible and becomes more and more necessary for nation-states to shoulder their responsibility and steer these developments. Be it in a kind of global public policy-making as suggested by Reinicke (1998), which involves international cooperation, making regulations and standards, or as a pro-active policy in order to steer the nation-state where it should be in the globalized world. Since the position of nation-states becomes, as the globalists argue, less dependent on geographical factors than before, the possibilities for nation-states to choose their own position in the world are also likely to be greater than before. The preference to attract international headquarters, production-facilities or even polluting industries can still be transformed into policies lowering or raising taxes for specific branches of industry. The preference to become a post-industrial or an industrial society can be steered by building a specific national infrastructure. Infrastructure is to be conceived in its broadest meaning, incorporating hard infrastructure, like roads, railways, airports and cables, as well as soft infrastructure, including education, health, welfare and safety and societal stability. At the same time nation-states have a role to play in the reduction of transaction costs (North, 1993) which, in a globalized economy, become an increasingly important aspect of trade and FDI.

Of course, one might question the capacity of nation-states to do this but that

is, given the crux of the debate given earlier, not taking the arguments of the sceptics seriously. To say — even before 5 percent of it is affected by globalization — that this phenomenon makes the functions of nation-states obsolete is, at this time, just a weak excuse to mask incompetence and/or the unwillingness to act. One of the most important arguments in the debate is that the process of globalization does not have to be seen as something that befalls one. When one accepts that globalization is a growing though still minor phenomenon, to wait and respond reactively may eventually result in the incapability of nation-states to act. For the moment, however, it is nation-states that are still primarily responsible for the well-being of their citizens and their socioeconomic situation.

Conclusion

This article has evaluated the arguments concerning the impact of globalization on the nation-state, concluding first that the debate is confused, because definitions of the both variables vary as do their indicators. As for globalization, three dimensions can be distinguished, namely the international movement of people, production and products. As for the nation-state, it seems sensible to distinguish its essential tasks. Five were distinguished in this article: the ability to defend its population against outside enemies; the ability to repress and prevent crimes of violence and civil wars; taxation and law-making power; the ability to improve the quality of life and community feeling; and the ability to treat individuals as citizens and to ensure civil rights.

When looking at the relation between globalization, on the one hand, and the role of the nation-state, on the other hand, a similar confusion arises. Each side has its standard illustrations and each side can point to developments supporting their view. We can distinguish globalists (predicting the end of the nation-state), sceptics (saying that the nation-state is still alive and well) and transformationalists (saying that the nation-state has to change under the changing circumstances of globalization).

Given this confusion, one might characterize the debate as a dialogue of the deaf. Everyone talks and tries to convince but no one seems to listen. The way forward lies in modelling the causal chain between globalization and the role of the nation-state. This modelling is advantageous, because one can pinpoint exactly where the opinions differ. Out of the model constructed here four points of discussion were derived.

First, the debate seems to be a question of measurement. Serious research into the growing international interconnectedness, compared with domestic independence, is needed. Second, the debate seems to be a question of interpreting historical developments and historical analogies. Do nation-states indeed act in a significantly different fashion from how they used to do? Have they lost sovereignty (internal or external)? And is this a linear process or a cyclical process? Third, the debate is problematic because several developments occurred simultaneously: economic, cultural, ideological developments, the growth in FDI, international trade, the end of the Cold War, deregulation, privatization, the

rise of information and communication technology et cetera, make it difficult to explain the retreat of the state solely in terms of globalization. Fourth, the modelling of the debate pinpoints the differences within the debate to different predictions. One prediction is that the nation-state will increase its interference in societal affairs and will extend its tasks when economic growth permits it again. The opposite prediction is that the decline of the nation-state is a linear process.

For a scientific understanding of globalization, to wait and see might seem the only sensible answer. It may result, however, in disastrous outcomes. For the key actors, that is, the nation-states, to try to steer the globalization process is not only still possible but also necessary. The variety of arguments given by globalists, transformationalists and sceptics implies that national leaders should not hide behind scientific research, telling them to do nothing or wait for more research. Of the few visible trends, a significant one is that the number of problems created by globalization is comparable to the opportunities it provides. This results in a plea for national steering of the process, based on well-thought through choices and a long-term vision of where one wants to be in the global economy.

Note

1. He adds that states will also adopt new ones, especially to safeguard the interests of their domestic firms in increasing global markets.

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