

**The Political Economy of Globalisation:
Can the Past inform the Present?**

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Richard Higgott*

*From Colonialism to Global Governance:
A Brief Genealogy of Extra- Territorial Politics***

*Director, UK ESRC Centre for the Study of Globalisation and Regionalisation and Professor of Politics and International Studies, University of Warwick.
richard.higgott@warwick.ac.uk

** This paper has been prepared at short notice. It represents a very rough, overly long-winded and incomplete, first draft. The paper represents the outline of a larger, book length study. Comments are very welcome.

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Introduction

Economists, especially economic historians, have conducted a vigorous debate over the last few years as to whether ‘globalisation’ is new. Their discussions have focussed on those more easily identifiable, and often measurable, variables that have allowed them to consider whether the global economy was more ‘open’ at the end of the 20th century than it was at the end of the 19th century.¹ It has allowed them, in keeping with the theme of this conference, to attempt to draw lessons from the past. I do not propose to enter this debate (especially as a political scientist at a conference of mainly economic historians!) Rather, I want to suggest, that these are not the only conversations about globalisation that have sought to identify continuities and discontinuities with previous eras. There has also been vigorous discussions in other branches of the social sciences on the theme of ‘is globalisation new’ and, by extension, what might be learned from the past.²

That some of these debates may have seemed less forensic than those in economics is, in large part, to do with the usually more complex, and invariably contested, definitions of what constitutes globalisation amongst non-economist social scientists. This lack of definitional clarity and by extension, analytical certainty, no doubt somewhat provocatively for this audience, I would like to suggest, can be as much as an analytical strength rather than weakness, when contrasted with the more parsimonious, invariably data driven, discussions in the economic community. Moreover, it is out of these invariably normative, often overtly socio-political, discussions of the nature of globalisation, rather than the at times sterile, technical

¹ For one analysis see the excellent discussion of the available data on these issues in Nicholas Crafts ‘Globalization and Growth in the Twentieth Century’, *IMF Working Paper* 00/44, Washington DC.

² Good secondary discussions of debates about the emergence of globalization and the different ways of analysing this phenomenon are now numerous and need not be reviewed here. Perhaps the most comprehensive text on the subject is David Held et al., *Global Transformation* (Cambridge: Polity Press, 1998). But the best single authored text is without doubt Jan Aart Scholte, *Globalization: A Critical Introduction* (Basingstoke, UK: Macmillan, 2000). For a flavour of the *range* of literature on offer see the essays in Richard Higgott and Tony Payne (eds.), *The New Political Economy of Globalization*, 2 vols. (Aldershot, UK: Edward Elgar, 2000). For a flavour of the critiques of globalisation, see Gerry Mander and Edward Goldsmith (eds.), *The Case Against the Global Economy: And For A Turn Toward the Local* (San Francisco: Sierra Club Books, 1997); Richard Falk, *Predatory Globalization* (Cambridge: Polity Press, 1999); and the essays in Don Kalb et al., *The Ends of Globalization* (Oxford: Rowman and Littlefield, 2000).

analyses of the nature of globalisation simply as an economic phenomenon, that understanding the difficulties of how to ‘manage’ globalisation will emerge.

The aim of this paper, therefore, is to consider one element of the wider debate over globalisation; namely its relationship to the notion of governance. In so doing I attempt to link the understandings of governance that prevail on both sides of the economics-political science divide, especially as the linking of globalisation and governance became increasingly fashionable in the last decade of the 20th century. During this time, understanding of governance, and especially extra-territorial governance, or governance beyond the confines of the nation-state, became influenced, too much so to my mind, by narrow, excessively rational, economic and managerialist definitions of how to enhance effective and efficient problem solving largely in the domain of economic policy. Governance was disassociated from politics. Normative, ethical and competitive elements of politics were dismissed or marginalized.

In this first section of the paper I say how and why this is the case and consider some of the implications of the prospective predominance of these perspectives for our contemporary understandings of how globalisation might continue to develop. I suggest that in historical terms this is not the first time that the separation of understandings of (extra-territorial) governance from politics has occurred and that there are both intellectual and socio-political explanations for why this is the case. Specifically I show that there are strong threads in contemporary understanding that date back to the era of European colonialism. I follow this brief historiography by offering some competing explanations of the concept of governance and try to suggest elements of both continuity and change in our understanding of the concept throughout the 20th century and into the present era where the growing discourse of global governance represents the most explicit statement of extra territorial governance to-date.

Globalisation is, of course, the most over-used and under-specified concept in the lexicon of the social and policy sciences since the end of the Cold war. Its many

meanings, be they economic, political, cultural, sociological, anthropological, cannot be reviewed in this paper. For the purposes of this paper on the relationship between globalisation and governance, and with the emphasis on governance rather than globalisation, I work with a standard economic definition of globalisation as the tendency towards international economic integration, liberalisation and financial deregulation beyond the sovereignty of the territorial state. Again in equally broad terms, governance is seen as those arrangements—across a spectrum from weak to strong in influence—that various actors attempt to put in place to advance, manage, retard, control, regulate or mitigate market globalisation. Of course, global governance has a much wider intellectual history and policy agenda than merely the management of the international economy at the close of the twentieth century. Although the paper makes no attempt to deal with the global security agenda the twentieth century, notwithstanding failed attempts to build institutions like the League of Nations, has seen the growth of multilateral and regional institutions reflects what one scholar has called an evolving ‘constitutionalization’ of world order.³

Extra-Territorial Governance in Historical Perspective

Extra territorial governance is not new. Without elaboration, recent discussions on the issue of ‘empire’ and world order have reminded us of this. Various experiments in, and models of, imperial authority stemming back at least to Ancient Rome are, in effect, exercises in extra-territorial governance by any other name.⁴ (See Hardt and Negri, 2001). This paper will not return to Rome. Nor does it identify globalisation (in all or any of its many definitional guises) with but another form of imperialism. To do so would be to imply a structurally determinist logic to the nature of historical and modern economic and political organisation with which I would not be comfortable. Rather, in this all too brief introductory section, I want to suggest that if we look back over the period that seems to be that broadly covered in this conference—say the period from 1870 through to the present era—we can identify at least five periods in which our understanding of what constitutes extra-territorial governance has emerged. These periods are set out in table 1. A brief explanation of

³ See Daniel Elazar, *Constitutionalizing Globalization*, Boston: Rowman and Littlefield., 1998

⁴ See Hardt and Negri, *Empire*, Cambridge MA: Harvard University Press, 2001.

periods 1-3 forms the remainder of this section. Periods 4-5 are discussed separately and more substantively in subsequent sections.

The periods are constructed around what I see as both real and intellectual elements. The real elements are quite distinct phases in the economic and political history of the modern world. The intellectual elements reflect a key theme of this paper: the slide that takes place between one period and another in the salience and prevalence of an understanding of extra-territorial governance as either a neutral, dispassionate science of policy making and management on the one hand and governance as but one aspect of a wider and inseparable activity of human life, with all the accompanying normative and competitive elements, that we call politics on the other.⁵

Extra-territorial governance during period 1, the colonial era of the great European powers, was classic example of the manner in which both prevailing theory and practice attempted to distinguish between politics and administration. Whether we are comparing the indirect rule strategies of the British with the director rule strategies of the French; both had a conception of expert, dispassionate bureaucratic rule in which politics was (in theory) meant to be silent. Certainly, there was no understanding of politics as a competitive process of choice to enhance representation of the governed and the accountability of the governors.

⁵ At another level, and in a way that cannot be pursued in this paper, this distinction is also reflective of the methodological distinctions that exists in the human and social sciences. The principal distinction is between those traditions (principally found in modern economics) that believe in our capability to provide a rational scientific understanding of society and those approaches that would argue that such pure rational scientific understanding is neither ontologically, epistemologically nor methodologically possible (nor indeed desirable). See Martin Hollis and Steve Smith, *Explaining and Understanding in International Relations*, Oxford: Clarendon Press, 1992. For the authors views on this issue see Higgott, 'Economics, Politics and (International) Political Economy: The Need for a Balanced Diet in an Era of Globalisation, *New Political Economy*, 4 (1) 1999: 23-36.

During period 2—the era of decolonisation in the post world war two era—extra territorial governance was underwritten by Weberian, socio-political understandings of authority and change; what came to be widely known as modernisation theory. The key elements of the process were meant to be the diffusion of technology and

THEORIES OF EXTRA TERRITORIAL GOVERNANCE IN THE C20 AND C21:
A BRIEF HISTORIOGRAPHY

	PERIOD	THEORETICAL ESSENCE	POLITICS IN / OUT?
1	<i>Colonial Era</i>	<ul style="list-style-type: none"> ● Public Administration ● Bureaucratic Rule (Indirect / Direct) 	OUT
2	Decolonisation	<ul style="list-style-type: none"> ● Modernisation Theory ● Weberian socio-political understanding of authority and change 	IN
3	Immediate Post – Colonial Era	<ul style="list-style-type: none"> ● From modernisation theory to the New Political Economy (public policy) ● Rationalist based theories of public choice 	OUT
4	Globalisation / Stage I	<ul style="list-style-type: none"> ● <i>The Washington Consensus view of governance</i> ● From Political Economy to Economics ● The Scientific Ascending of Economics 	OUT
5	Present Era: Globalisation Stage II	<ul style="list-style-type: none"> ● <i>The Post Washington Consensus view of governance</i> ● The Returns of Normative Theory ● From Economics to Political Economy 	RETURNING

capital. But also part of this process was meant to be the diffusion of modern western socio political norms; especially the introduction, notionally at least, of western systems of representative (election based) forms of governance.⁶ Again, the general principle pertained whether it was the introduction of parliamentary systems in the context of the British colonial departure or presidential systems in the French case. The point for this paper, is that the prevailing understanding of governance was not simply the limited one of government as the effective and efficient management of the policy process, but governance also as an exercise in accountability and representation; that is governance as the product of politics.

In period 3, the immediate post-colonial era from the late 1950s to the early 1970s, the ‘failure of politics’ and the failure to build a grand theory of modernisation saw understandings of extra-territorial governance once again down play the political elements of governance (accountability and representation) at the expense of an attempted return to the creation of a science of public policy. This time, however, it was driven less by grand sociological imperatives, of a Weberian variety, and more by economic, rationalist, choice based theories of public policy.

A major characteristic difference between the more economic, managerialist approaches to and the sociological approach of the modernisation theorist was that the former privileges inputs while the latter privileged outputs. More importantly, the new approaches privileged order and stability over transformation and change. For key intellectual figures, it was the *degree* of government (the ability to make and implement policy) not the form of government (its representative character and level of accountability) that was the most salient factor. If efficient policy-making meant the arbitrary suppression of politics, then so be it.⁷ Technocratic instrumentalism, often seen as a danger in developed democracies was to be a virtue of governance in the extra-territorial contexts of developing societies. This was especially so in their relationships to a global economy under going rapid process of change in what we

⁶ See Richard Higgott, *Political Development Theory*, New York: St Martins Press, 1983.

⁷ See Samuel P. Huntington, *Political order in Changing Societies*, New Haven: Yale University Press, 1968 and Robert L. Rothstein, *The Weak in the World of the Strong: The Developing Countries in International Relations*, New York: Columbia University Press, 1977

might call the core elements of globalisation (trade liberalisation; financial deregulation and asset privatisation.)

These three trends—the hegemony of economic analysis, a focus on political order (defined as the absence of conflict, however secured), an emphasis on outputs rather than inputs to the policy process—identified in the immediate post colonial era, were to be refined in period 4.

Period 4. The Beginnings of Contemporary Governance: The Washington Consensus, the State and the Limits of Economism

For many recent observers, the dramatic increases in globalisation in the last quarter of the 20th century have been market driven and in such a context, "the market" implies the opposite of "governance". Where governance has intervened it has been largely negative in its impact. Yet even at the height of a neo-liberal understanding of economic globalisation—one that characterised the post Cold War World of the first half of the 1990s—such a stark polarisation was always misleading. Markets, as Karl Polanyi long ago noted, have always been socially constructed.⁸

With the rapid expansion and deregulation of the global financial markets over the last decade, driven by advances in technology and communication, and which saw daily financial flows grow from something like \$200 million per day in the mid 1980s to \$1.5 trillion per day in the late 1990s,⁹ we began to assume that market power had totally escaped the jurisdiction of state authority.¹⁰ Only since the financial crises of 1997, have influential policy makers begun to think that this might be functionally

⁸ Karl Polanyi, *The Great Transformation*, New York: Beacon Press, 1994.

⁹ See Zanny M. Beddoes, 'The International Financial System', *Foreign Policy*, 116, Fall, 1999, p. 16.

¹⁰ Nowhere is this argument more forcefully articulated than in the work of Susan Strange. See especially *The Retreat of the State*, Cambridge, Cambridge University Press, 1996 and *Mad Money*, Manchester: Manchester University Press, 1998.

problematic and in need of serious political, as opposed to merely economic, attention.

A major dynamic of this rethink is to be found in the relationship between the imperative to preserve the openness and continued liberalisation of markets on the one hand and to provide for stable governance of the international economy to ensure this continued openness while at the same time mitigating the worst excesses and inequality generating activities of markets under conditions of globalisation on the other. For, in the wake of the post 1997 'globalisation backlash' it is recognised, even in the most market zealous of circles, that without functioning structures of global governance, globalisation might contain within it the seeds of its own downfall. ¹¹

This complex and contested relationship between the market and the theory and practice of governance beyond the territorial state under conditions of globalisation is conditioned by three dynamic (often conflictual) relationships:

- 1 The contest (principally ideological) between liberalisation and demands for some international re-regulation that has developed since the currency crises from July 1997.
- 2 The increasing interplay of inter-governmental actors and powerful states on the one hand with some governmental and non-state actors (the weaker states and the stronger NGOs) on the other.
- 3 A recognition that at the core of the coming struggle over the continued pace of liberalisation are political struggles about the distribution of global wealth, not merely technical economic ones about how best to produce that wealth.

The institutions of international economic governance as currently constituted (especially, but not exclusively, the IMF, WBG and WTO) represent the interests of

¹¹ For a range of well-understood reasons the early 21st century is a period of intellectual rethink about the relationship between the market and the state. This represents a major mood swing international relations. See the discussion in Richard Higgott, 'Contested Globalisation: The Changing Context and Normative Challenges', *Review of International Studies*, 26 (4) 2000: 131-53.

the powerful not the poorer states. Those global norms and rules that underwrote the institutional architecture of much of the last two decades of the 20th (Period 4 in Table 1) are now commonly called the Washington Consensus.¹² The subsequent post 1997 attempts to reform these norms and rules in the domains of trade, investment, labour standards, the environment, transparency, capacity building and yes, 'governance' we can call here attempts to develop a *Post* Washington Consensus. (Period 5 in Table 1). Both periods were driven by 'northern agendas'. The less powerful states remain 'rule takers' within these institutions. But a process of political contest and transition is under way. It is too early to know the outcome of this process, but it may be that the rules on offer will increasingly lack legitimacy and/or not be enforced by the poorer states or, as is also possible, the poorer states concerned may continue to lack the necessary governmental capacity to enforce them even should they so wish.

Either way these processes have negative implications for a consensus based evolution of global governance norms. The 'top down' global governance agenda of Period 5 that emerged in the late 1990s, as with the Washington Consensus in Period 4, is driven by an understanding of governance primarily as *effectiveness and efficiency*, not governance as democracy, accountability and the provision of a more just world order. Rather than creating an array of global public goods of a reformist nature (their avowed goal) the possibility is that they might generate new forms of resistance. Without a normative and practical commitment to stem the globalisation of inequity, global politics may be on the verge of a new polarisation. Why?

¹² This is not the place to develop a full exposition of the Washington Consensus. But we can note that the term was coined by John Williamson. It reflects shared opinion on the key parameters of global economic management and specifically policy prescriptions for financial adjustment in developing countries that developed within the Washington international financial community. This community included not only the US administration, but also the major international financial institutions and 'think-tanks' such as the IIE. To be fair to Williamson, he merely called it 'the Washington Consensus.' He cannot be held accountable for the expansion of its use and the pejorative connotations that have been attached to the epithet by other observers of these processes. See John Williamson, 'What Washington Means by Policy Reform', in John Williamson (ed.), *Latin American Adjustment, How Much Has Changed?* (Washington: Institute for International Economics, 1990). For discussions see Paul Krugman, 'Dutch Tulips and Emerging Markets', *Foreign Affairs*, 14:1 (1995), pp. 28–9; Robin Broad and John Cavanagh, 'The Death of the Washington Consensus', *World Policy Journal*, 16:3 (1999): 79–88 and Moises Naim 'Washington Consensus or Washington Confusion', *Foreign Policy*, 118 (Spring 2000): 103-11.

As is now recognised within international economic institutions and even corporate boardrooms, securing domestic political support for the continued liberalisation of the global economy requires more than just the assertion of its economic virtue. If the benefits of the rapid economic growth of the last several decades are not to be jeopardised then how social cohesion is maintained in the face of liberalisation represents a major challenge for governments and international institutions in the 21st century. This is not just the case in the developing world. Despite its success as a generator of aggregate wealth, international economic liberalisation's has not triumphed. The urge for free markets and lean government created asymmetries in the relationship between the global economy and the national state that undermined John Ruggie's 'embedded liberal compromise' in the developed world too.¹³ But embedded liberalism is probably more important to political stability and economic prosperity in the contemporary period than it has ever been

More groups now recognise that when pursued in combination, free markets and the reduction of compensatory domestic welfare generate radical responses by the dispossessed.¹⁴ The standard neo-classical economic response--that globalisation enhances aggregate welfare overall—might well be theoretically and practically correct, but politically irrelevant in an era of seeming economic polarisation. Whether the relationship between increased inequality and globalization is causally related or merely a correlation is theoretically very important;¹⁵ but, the correlation alone is sufficient to make it a political issue of the utmost importance. It is the identification of the correlation that causes the dispossessed to believe that globalization is a, if not the, major source of their plight.

The important factor in the *politics* of globalization is the degree to which globalization is perceived to exacerbate inequality and the degree to which the

¹³ John Ruggie, 'At Home Abroad, Abroad at Home: International Liberalisation and Domestic Stability in the New World Economy, *Millennium: Journal of International Studies*, 24 (3): 507-26.

¹⁴ Vincent Cable, *The World's New Fissures: The Politics of Identity*, (London: Demos, 1994); See also Marina Wes, *Globalisation: Winners and Loser*, (London: Institute for Public Policy Research, Commission on Public Policy and British Business, 1995).

¹⁵ There is emerging evidence to suggest that there is a causal relationship. It reviewed in Kapstein, 'Winners and Losers in the Global Economy', *International Organisation*, 54(2) 2000: 359–84.

existing institutions are thought by those who claim to speak for the dispossessed, to underwrite the *status quo* rather than work for its eradication. The point for this essay is that correlation between globalization and poverty is sufficient for the relationship to generate the kinds of combative politics that we have witnessed over the last few years as the gap between beneficiaries and victims of globalization becomes apparent.

In this context, the internationalisation of trade and finance ceases to be simply sound economic theory. It also becomes contentious political practice. Increasingly articulate NGOs voice objections to the side effects of liberalisation, These objections are not, as some economists would have it, merely the simple protectionist views of narrow, ill-informed, interest groups with radical ideological agendas;¹⁶ although they can at times be just that. Rather, in contexts where communities attach value to means as well as ends, these groups exhibit genuine concerns about the socially destabilising and disintegrative effects of liberalisation.

But can embedded liberalism be maintained or revived? More importantly, can it be globalised? Much economic theory has always demonstrated a disinterest in the stabilising political and social processes of the civil polities of developed societies. This is largely because the theory of the state used in economics is far too parsimonious. In it government—especially the welfare state in the post-world war two era—is invariably inefficient. Thus, beyond the provision of basic public goods—the rule of law and external security—the dismantling of the public economy would come, sooner or later, in an era of globalisation. Drawing on this limited understanding of the state, the 1990s discussions of global governance, operated largely with a limited neo-classical economic and neo-liberal political 'night watchman' view of the state.

But markets are socio-political constructions. In the long run, their successful functioning depends on their legitimacy and support within civil society and that the welfare state might be important for the stability of an open international economy. Much modern economic analysis ignored the degree to which domestic compensation—Ruggie's embedded liberal compromise—has also been an important

¹⁶ See for example, Douglas Irwin, *Free Trade Under Fire*, Princeton: Princeton University Press, 2001

factor in enhancing international openness. It mitigated the tensions inherent in the relationship between capitalism as a system of economic production and exchange on the one hand and democracy as a process of legitimation of this system on the other. The problem with the neo-liberal agenda, especially prior to the 1997 economic crises, was that economic liberalisation became an end in itself. Little consideration was given to its effect on prevailing values and norms within societies and polities.

This view is theoretically flawed and based on a historical misreading of the evolution of the modern sovereign state in the global context. It is a reading from the inside, underwritten by a domestic-nationalist methodology. It misses the equally important reading—from the outside—in which the sovereign state is the primary subject of modern international relations. Indeed, the state, as any political scientist will attest, has been the exclusive subject of international relations in the Westphalian system; the highest point of decision and authority. Since the middle of the 17th century the sovereign form of state has become hegemonic by a process of eliminating alternative forms of governance.¹⁷ The modern state achieved a particular resolution of the social bond hinged on the idea that political life is, or ought to be, governed according to the principle of sovereignty. The concept of sovereignty concentrated social, economic and political life around a single site of governance.

This conception of politics dates back to an earlier legitimation crisis, that of the late 16th and early 17th centuries. Thomas Hobbes saw the political purpose of the sovereign state as the establishment of order based on mutual relations of protection and obedience.¹⁸ The sovereign acted as the provider of security and the citizen, in turn, offered allegiance and obedience. This account emphasised sovereignty as the centre of authority, the origin of law and the source of individual and collective security. Citizens were bound together, whether for reasons of liberty or security, by their subjection to a common ruler and a common law. This basic structure of governance forged a social bond among citizens and between citizens and the state.

¹⁷ Hendrik Spruyt, *The Sovereign State and its Competitors*, Princeton: Princeton University Press, 1994.

¹⁸ Thomas Hobbes, *Leviathan*, Harmondsworth: Penguin, 1968.

The institution of state sovereignty brought with it a spatial resolution, which distinguished between the domesticated interior and the anarchical exterior. In general terms, inside and outside came to stand for a series of binary oppositions that defined the limits of political possibility.¹⁹ Inside came to embody the possibility of peace, order, security and justice; outside, the absence of what is achieved internally: war, anarchy, insecurity and injustice. Where sovereignty is present governance is possible; where it is absent governance is precluded. Modern political life is predicated on an exclusionary political space ruled by a single, supreme centre of decision-making claiming to represent and govern a political community. In recent interpretations sovereignty has been understood as a constitutive political practice, one that has the effect of defining the social bond in terms of unity, exclusivity, boundedness and the state's monopolisation of authority, territory and community.²⁰

A further crucial function performed by the sovereign state, and the particular concern of the economist, has been the management of the national economy. Historically there have been competing accounts of how states should govern their economies, especially over the manner and extent to which governments should intervene in and regulate economic activity. Yet despite many important ideological and normative differences, there has been a tendency within the dominant liberal tradition to treat national economies as discrete systems of social organisation more or less delimited by the state's territorial boundaries. Economies are conceived as largely self-contained, self-regulating systems of exchange and production. This was as true for economic liberals such as Smith and Ricardo as it was for economic nationalists and mercantilists such as List and Hamilton. This is not to suggest that such thinkers were blind to the fact that economic activity spilled over national frontiers, rather that they treated national economies as self-contained units in the international market.

The economy served the community of the state in which it was embedded; its functions and benefits were defined via the interests of a given political society. That states monopolised the right to tax within their boundaries enhanced the correlation of

¹⁹ R. B. J. Walker, *Inside/Outside: International Relations as Political Theory*, Cambridge: Cambridge University Press, 1993.

²⁰ Andrew Linklater, *The Transformation of Political Community*, Cambridge, Polity Press, 1998.

the economy with the state's boundaries. One of the general functions of the state therefore was to govern the economy in such a way as to promote the wealth and welfare of the community. Liberals focused on the market mechanism as the surest and most efficient means of ensuring the liberty, security and prosperity of both individuals and the community; non-liberal approaches tended to emphasise the need for regulation and manipulation of economic activity in order to satisfy the social needs of the community.

But that was then. The sovereign state is an historical product that emerged in a particular time to resolve social, economic and political problems. With the passage of time, and the changed milieu in which states exist, it is no longer axiomatic that the sovereign state is practical or adequate as a means of comprehensively organising modern political life and especially providing the array of public goods normally associated with the late 20th century welfare state. Trends associated with economic globalisation have unravelled the distinctive resolution of the social bond achieved by the sovereign state, and in particular the welfare state. Increasingly, the sovereign state is seen as out-of-kilter with the times as globalisation radically transforms time-space relations and alters the traditional coordinates of social and political life.²¹

As the late Susan Strange, in her depiction of 'the defective state', asserts: 'state authority has leaked away, upwards, sideways, and downwards ... [and] ... in some matters ... seems even to have gone nowhere, just evaporated'.²² In similar vein, Jan Aart Scholte suggests, how globalisation has yielded 'a different kind of state ... [which has] ... on the whole lost sovereignty, acquired supra-territorial constituents, retreated from interstate warfare (for the moment), frozen or reduced social security provisions, multiplied multilateral governance arrangements and lost considerable democratic potential'.²³ While states still have the sovereign right not to be bound by an international accord, 'in practice they are becoming increasingly *enmeshed* in a

²¹ For an elaboration, see Richard Devetak and Richard Higgott, 'Justice Unbound: Globalisation, States and the Transformation of the Social Bond', *International Affairs*, 75 (3) 1999: 483-98.

²² Susan Strange, 'The Defective State', *Daedalus*, 124 (2): 1995: 56.

²³ Jan Aart Scholte, 'Global Capitalism and the State', *International Affairs*, 73 (3) 1997:452.

network of interdependencies and regulatory/collaborative arrangements from which exit is generally not a feasible option'.²⁴

For Strange the contemporary role of the state is to assist in the pursuit of world market share rather than command of territory or resources.²⁵ And, as Garrett notes, 'there are many types of government interventions in the economy that are compatible with globally competitive markets.'²⁶ This is a view about the variation in state strategy. It was trivialised in the triumphalist era of the late 1990s when the Anglo-American model of the laissez faire state and US style corporate governance was thought to have seen off (prematurely it should be noted in passing) its European social democratic and Asian developmental state competitors.²⁷ Both alternatives look to have greater staying power in the early 21st century than was thought to be the case at the time. What is the relevance of this discussion of the state to our discussion of governance? The answer is simple. States and their agents remain the principal sources of governance either nationally or globally. Any discussion of global governance only makes sense on the recognition of this fact.

Period 5. The Demand for Global Governance Beyond the Washington Consensus

The preceding discussion supports numerous explanations as to why the issue of governance has become so important in the international policy communities discussion of globalisation. In point form:

- 1 We have seen a growing dissatisfaction with traditional models of public policy that failed to capture the shift in the relationship between state *authority* and market *power*, identified by Strange and others.

²⁴ Mark Zacher, 'The Decaying Pillars of the Westphalian Temple', in James N. Rosenau and Ernst Otto Czempel, *Governance without Government: Order and Change in World Politics*, Cambridge: Cambridge University Press, 1992: 60).

²⁵ Strange, op cit, 57.

²⁶ Geoffrey Garrett, 'Shrinking States? Globalization and National Autonomy in the OECD', *Oxford Development Studies*, 26 (1) 1998: 72).

²⁷ See Mortimer Zuckerman, 'A Second American Century,' *Foreign Affairs*, 77 (34) 1988: 18-31.

- 2 As a consequence, we have seen an increasing non-national manageability of policy problems and a growing interest in the importance of ideas and cross border policy transfer. Methodological nationalism, that under wrote much social science in the 20th century is rapidly becoming redundant.
- 3 Sovereignty has come to be seen more as a question of responsibility rather than one of absolute, statist control over a specifically determined space.
- 4 Major changes in conceptions of, and the role of, international law are in train. Three are important
 - (i) The increasing assumption that international law is not simply something in the relationship between states alone. Things other than the consent of states can be sources of international law.
 - (ii) A growing consensus that international law must apply a greater centralising and coordinating role in the global context.
 - (iii) The evolution of the UN charter model of international and transnational cooperation, that is seeing, in some areas, break with the tighter, sovereign structures of the Westphalian model.
- 5 The increasing role of multi-level governance structures in certain policy areas, enhanced by the role and functions of specialised (issue specific and regional) agencies has grown dramatically.²⁸
- 6 There has been a dramatic growth in the importance of non-state actors in global politics. Given the impact of globalisation, 'governance' has become an essential term for understanding not only transnational processes that require institutional responses but also for identifying those non-traditional actors (third and voluntary sector, non-state actors such as NGOs, global social movements and networks) that participate in the governance of a globalised

²⁸ See John Gerard Ruggie, 'Territoriality and Beyond: Problematizing Modernity in International Relations', *International Organisation*, 41 (1) 1993: 13-43.

economy beyond the traditional confines of government. Thus the concept of 'global governance' becomes both a hosting metaphor.

- 7 Finally, moves to flag up 'governance issues' have been part of the attempt by the international financial institutions to dig themselves out of the intellectual corner into which their adherence to unfettered free market ideals had forced them in the 1990s. At the populist level, nowhere is this better illustrated than in Jo Stiglitz's recent tirade (for that is what it is) against the ideological blinkers that conditioned IMF policy-making in the financial crises that beset the closing stages of the 20th century.²⁹

So, if governance is about the conditions for ordered rule and collective action it differs little from government in terms of output. The crucial differences become those of process, structure, style and actors. In the recent public policy literature of a domesticist persuasion, governance refers to '...the development of governing styles in which boundaries between and within public and private sectors have become blurred'.³⁰ But this definition fails also to note the way globalisation has blurred the domestic-international divide as both material fact and the development of systems of emerging international norms and regimes (both public and private) that represent the elements of a framework of 'governance without government' under globalisation.

It is in this evolving theoretical context that the Washington Consensus, which governed international economic thinking throughout the 1980s and 1990s, became a moving feast. The major financial institutions, at odds with each other over the appropriate policy responses to the 1997 financial crises, sought a new approach—paradigm even—the contours of which are now emerging. The original well known buzzwords of the Washington Consensus were liberalisation, deregulation and privatisation. To these the post Washington Consensus in Period 5 has added civil society, social capital, capacity building, governance, transparency, a new international economic architecture, institution building and safety nets.

²⁹ Joseph Stiglitz, *Globalisation and its Discontent*, London: Allen Lane, 2002

These themes had, of course been emerging in the World Bank for some time³¹ where Joseph Stiglitz, its then chief economist, helped to move the Bank beyond the initial consensus.³² From the time of the Asian crisis even the IMF and the WTO have begun to take these issues more seriously.³³ Add to the Post-Washington Consensus the UNDP initiatives on 'governance' and 'global public goods'³⁴ and the UN's 'Global Compact'³⁵ with the private sector to promote human rights and raise labour and environmental standards and we have a new rhetoric of globalism to accompany globalisation as process.

The details of the post Washington Consensus, especially its emphasis on governance, civil society and safety nets cannot, and need not be spelt out here, save to note that it is, like the Washington Consensus era of Period 4, an understanding of governance underwritten by a managerialist ideology of effectiveness and efficiency of governmental institutions. Unlike Period 4, however, Period 5 is also under-written by an appreciation of the growing importance of expanding the actors involved in the policy process to include elements of civil society. It should be stressed, however, that in Period 5, the understanding of civil society within the higher reaches of the global policy community is based on the mobilisation and management of social capital rather than one of representation and accountability.

³⁰ Gerry Stoker, 'Governance as Theory: Five Propositions', *International Social Science Journal*, No. 155, 1999, p17.

³¹ See Cynthia Hewit de Alcantara, 'Uses and Abuses of the Concept of Governance', *International Social Science Journal*, 155, 1998, 105-113.

³² See Joseph Stiglitz, 'Towards a New Paradigm for Development: Strategies, Policies and Processes'. *The 1998 Prebisch Lecture*, Geneva, UNCTAD, 19 October, 1998.

³³ See Jan Aart Scholte, Robert O'Brien and Marc Williams, 'The WTO and Civil Society', *Working Paper No. 14*, Warwick University, ESRC Centre for the Study of Globalisation and Regionalisation, July 1998.

³⁴ See UNDP, *Governance for Sustainability and Growth*, New York, July, 1997 and Inge Kaul, Isabelle Grunberg and Marc A. Stern (eds) *Global Public Goods: International Cooperation in the 21st Century*, New York: Oxford University Press for the UNDP, 1999.

³⁵ *Business Leaders Advocate Stronger UN and Take up Secretary General's Global Compact*. New York, UN Press Release, 5 July, 1999 and *The Global Compact: Shared Values for a Global Market*, New York, The UN, Department of Public Information, DP1/2075, October 1999. See also John Ruggie and Georg Kell, 'Global Markets and Social Legitimacy: The Case of the "Global Compact"', Paper presented to an International Workshop entitled *Governing the Public Domain: Redrawing the*

In the context of the post Washington Consensus, civil society is not, in contrast to Robert Cox's recent reformulation, a site of political resistance.³⁶ But the understanding of governance in Period 5 does represent a departure from the narrowly economic and technocratic decision making models of Period 4. The emphasis on open markets has not been rejected or rolled back in Period 5. Rather, it is an attempt to institutionally embed, and even maybe, as the UNDP would have it, 'humanise', globalisation and by extension of the argument presented here, the earlier technocratic, prescriptive elements that predominated in Period 4.³⁷

Given that the Period 5 still holds a sanitised view of the socio-political dimensions of the development process why is it an important break with the past? Period 5 recognises that politics matters. This is a recognition that has been absent from the economic analyses of the impact of globalisation over the decades captured by Period 4. Economists such as Stiglitz, Rodrik and Krugman,³⁸ have demonstrated sensitivity to some of the political complexities inherent in the reform processes absent in most of the technical literature of Period 4. But to recognise the importance of politics is not necessarily to understand. While conceptual understandings of power and interest remain undeveloped in Period 5, but they do offer a starting point for thinking about justice under conditions of globalisation that did not exist until the end of the twentieth century.

Theorists are still groping for a universally acceptable definition of 'social and economic justice'. But while that continues, we are now fairly sure that globalisation, in its unadulterated form, results in unequal treatment for some states and, more importantly, exacerbates poverty for many sections of the weakest members of international society, and thus puts justice at risk. Poverty alleviation seems to have a

Line Between the State and the Market, Robarts Centre for Canadian Studies, York University, Ontario: November 1999.

³⁶ Robert Cox, 'Civil Society at the Turn of the Millennium: Prospects for an Alternative World Order', *Review of International Studies*, 25 (1) 1999: 3-28

³⁷ *Globalization with a Human Face: The UN Human Development Report*, New York Oxford University Press for the UNDP

³⁸ See Stiglitz, *Globalisation and its Discontents*, *op cit*; Dani Rodrik, *Has Integration Gone Too Far?* Washington DC: Institute for International Economics, 1998 and Paul Krugman, *The Return of Depression Economics*, London: The Allen Lane Press, 1999.

stronger claim than equality in prevailing definitions of justice.³⁹ Thus the important normative question is: what is the relevant community or society to which 'social justice' pertains and in what domains should the question of justice be addressed? This question has traditionally been understood in the contexts of the values that actors attach to their behaviour market structures and within states and with their governments, as the principal unit of analysis. But markets are not the only sites of action. The 'domain issue' is at the core of 'the global governance' question. Governments are no longer the only domain of policy making or implementation.

Politics, Domains and Actors in a Post Washington Consensus Era

NGOs, Global Social Movements and International Organisations now play important roles. They form part of a wider global governance agenda that, both in theory and practice, trails the integrated and globalising tendencies in the world economy. As a consequence, the prevailing anarchical order of the state system, while central and seemingly indispensable, appears inadequate to the task of managing most of the agenda of globalisation. While this may be well understood, the prospects of heterarchy remain more aspirational than real at this time.

Since global governance is an imprecise term, one normative issue to be addressed, by both scholars and practitioners, in the early 21st century must be to determine how much authority we should invest in the concept, given the wide-ranging way in which it is used. Currently, understandings of global governance can range along a continuum from basic, informal processes to enhance transparency in inter-state policy coordination through to the somewhat grander, although still essentially liberal, visions of a rejuvenated system exhibited initially in the Commission on Global Governance's *Our Global Neighbourhood*⁴⁰ and running through a series of further commissions and exercises in summitry to address 'global questions' (pace Johannesburg)

³⁹ See Ngaire Woods, 'Order, Globalization and Inequality' in Andrew Hurrell and Ngaire Woods, (eds) *Inequality, Globalization and World Politics* Oxford: Oxford University Press, 1999.

⁴⁰ London: Oxford University Press, 1995.

But if we accept the argument that the transnationalisation of market forces is exacerbating inequality, or simply that most people believe it is, then a 'northern driven, rules based agenda is always likely to lack legitimacy in those disadvantaged states, even where states actually possess the necessary governmental effectiveness to enforce them even should they so wish. Either way, these processes have negative implications for a consensual evolution of global governmental norms. Thus a starting assumption for the analysis of global governance is that it, and the continuance of a state system, are not inimical. But to recognise that state power will not go away is not to cling to some Westphalian legend. Rather it is to recognise that states, and inter-state relations, remain the principal sites of politics. As a result, the research agenda on global governance is complex. Before proceeding to think of global governance as the development of a Post-Washington Consensus, it may help to identify those three inter-connected elements of the debate that have developed to-date and that are essential precursors to understanding contemporary developments in Period 5.

(i) Global governance as the enhancement of effectiveness and efficiency in the delivery of public goods: This is a fashionable policy concept, especially in the international institutions which see their role as consolidating or institutionalising the 'gains' made by the processes of global economic integration. But it fails to recognise that the successful internationalisation of governance can, at the same time, exacerbate the 'democratic deficit.' This approach forgets that states are not only problem solvers, their policy elites are also strategic actors with interests of, and for, themselves. Thus much collective action problem solving in international relations is couched in terms of effective governance. It is rarely posed as a question of responsible or accountable government and democracy, let alone addressing normative questions such as those of redistributive justice. These latter questions are the stuff of political theory; but it is the political theory of the bounded sovereign state. Thus we need to think beyond these confines. It is central to the understanding of the relationship between the Post-Washington Consensus and global governance in Period 5. It leads to second understanding of the concept of global governance.

(ii) Global governance as enhanced democracy: Paradoxically, the language of democracy and justice takes on a more important rhetorical role in a global context at

the same time as globalisation attenuates the hold of democratic communities within the confines of the territorial state. Indeed, as the role of the nation state as a vehicle for democratic engagement becomes more problematic, the clamour for democratic engagement at the global level becomes stronger. But these are not stable processes. Understanding of, and attention to, the importance of normative questions of governance and state practice as exercises in accountability and democratic enhancement must catch up with our understanding of governance as exercises in effectiveness and efficiency. The debate is largely divided between theorists and practitioners.

The current theoretical debate, over what Tony McGrew calls the prospects for 'transnational democracy' is fought between sceptics and protagonists. It mirrors many of the wider debates in contemporary political theory over the nature of democracy in the twenty-first century.⁴¹ Unsurprisingly, the debate within the policy community is more narrowly focussed. A key issue in the policy community is the identification of those agents that might advance the cause of greater accountability and transparency in the management of the international institutions while not undermining the over-riding goal of effectiveness and efficiency. In this context the greater incorporation of selected non-state actors into the deliberative process of these organisations is the principal instrument of contemporary policy reform in Period 5.

For sure, the incorporation of civil society actors into the policy process is a necessary condition for the legitimisation of the global liberalising agenda. Despite increasing efforts, most international institutions are not good at reaching out to NGOs and often see these non-state actors as both boon and bane.⁴² Once they are accepted as legitimate actors in the policy process, these organisations may well behave in a manner that challenges the global governance functions of these institutions. Thus there is still a reluctance in the economic policy community to recognise the manner in which markets are socio-political constructions whose functioning (and legitimacy) depends on the possession of wide and deep support within civil society.

⁴¹ See the excellent review by Anthony McGrew, 'From Global Governance to Good Governance: Theories and Prospects of Democratising the Global Polity', in Morten Ougaard and Richard Higgott (eds) *The Global Polity*, London: Routledge, 2002.

(iii) *Global governance as the emergence of an international managerial class.* Although often using different terminology realists, liberals, constructivists and Marxists alike identify individuals or groups of individuals from the corporate, bureaucratic and intellectual-cum research communities as increasingly significant strategic actors in transnational relations. For those of a critical Gramscian persuasion, these groups represent the key players in the development of a global market civilisation.⁴³ Alternatively, representations of this phenomenon can be seen in the burgeoning literature on epistemic communities and policy networks.⁴⁴

The globalisation of informational and technological elites is seen as an essential part of the process of economic globalisation more generally. Without the advances in communications and technology and the development of these sources of knowledge and information it would be impossible to talk of a notion of global governance. Global data is also a pre-requisite of global governance structures. Multilateral and regional institutions identify enhanced policy coordination as one of their major goals and this can be undertaken only if knowledge is enhanced and available for sharing. The role of international institutions as instruments of coordination for the mitigation of the risks attendant on a more open and deregulated global economy—especially in the financial domain—are becoming increasingly important.

The financial crises of the late 1990s and the corporate scandals of 2001-02 demonstrate how feeble these instruments were. International regimes and regional organisations, of greater or lesser effectiveness, are the obvious indicators of global governance of this kind. But not only have the managerial class or trans-national policy communities (pick your metaphor) flourished with the development of these technologies--especially internet technologies--so too have NGOs and GSMs.

⁴² See P. J. Simmons, 'Learning to Live with NGOS', *Foreign Policy*, 111, 1998.

⁴³ See Kees van der Pijl *Transnational Relations and International Relations*, London: Routledge, 1998.

⁴⁴ Most notably see Peter Haas (ed) *Knowledge, Power and International Policy Coordination, Special Edition, International Organisation*, 46 (2) 1992.

If the Washington Consensus of Period 4 was an attempt by an international managerial-cum-policy elite to create a set of global economic norms to be accepted by entrants to the global economy under the guidance of the existing international institutions, is the Post Washington Consensus an attempt to induce support for a new set of socio-political norms to legitimate globalisation by mitigating some of its worst excesses? If so, then global governance is not necessarily a 'progressive' (in the ethically normative sense, rather than as an advance on what has gone before) concept. It continues to reflect the ideology of globalisation in its neo-liberal guise. Effectiveness and efficiency in policy making beyond the level of the state remains the dominant mode of understanding global governance. Accountability and representation remain secondary components. At one level this is unsurprising. Enhanced effectiveness and efficiency in policy making, in classic administrative incrementalist methodology, at least appear as attainable goals. Enhanced democracy and accountability beyond the level of the state remain considerably more elusive.

Democracy in Global Governance Systems. Given the open, loose and institutionally deficient nature of a 'global community' in which the agents of global governance might be held accountable, prospects for increased cosmopolitan democracy of the kind espoused in the works of Held and Linklater, for example, do not presently offer much encouragement.⁴⁵ The principal impediment to cosmopolitanism is that it has a liberal conception of the individual that is unlikely to flourish in the absence of a constructed common civic identity. Globalisation might have rapidly generated a set of technological and economic connections; but it has yet to generate an equivalent set of shared values and sense of community, even amongst those agents actively involved in discussions about greater global participation.

In this regard, the debate on global governance within the international institutions (UN, World Bank, IMF and WTO) remains firmly within a dominant liberal institutionalist tradition; discussions about democracy beyond the borders of the territorial state are still largely technocratic ones about how to enhance transparency and, in some instances, accountability. They fail, or in some instances still refuse, to

address, the unequal distribution of power in decision-making that characterises the activities of these organisations. The essence of the liberal institutionalist view also remains avowedly state centric and pluralist. Its essence is captured nicely, and unsurprisingly, by Robert Keohane, who defines global democracy as 'voluntary pluralism under conditions of maximum transparency'.⁴⁶ The liberal institutionalist view is also essentially the reformist view for the international institutions held by most influential global decision makers.

Global Public Policy vs. Global Governance. The preferred term in international policy circles is 'global public policy',⁴⁷ not global governance. The aim is to make provision for the collective delivery of global public goods.⁴⁸ 'Public policy' has none of the ideological and confrontational baggage present in the notion of 'politics'. Institutional analysis, with its concerns for understanding the mechanisms of collective choice in situations of strategic interaction, is similarly 'de-politicised'. This is not to deny that recent rationalist theorising of cooperation has not been a major advance on earlier realist understandings.⁴⁹ But the problem with rationalist and strategic choice approaches is not what they do, but what they omit. They make little attempt to understand governance as an issue of politics and power. This has implications for the operational capability and intellectual standing of the international institutions.

In essence, the governance agenda as constructed by the international institutions in Period 5 has to-date largely stripped questions of power, domination, resistance and accountability from the debate. To the extent that the international institutions

⁴⁵ David Held, *Democracy and the Global Order: From the Modern State to Cosmopolitan Governance*, Cambridge: Polity Press, 1995 and Andrew Linklater, *The Transformation of Political Community*, *op cit*.

⁴⁶ Robert Keohane, 'International Institutions: Can Interdependence Work?' *Foreign Policy*, Spring, 1998, cited in McGrew, 'From Global Governance to Good Governance: Theories and Prospects of Democratising the Global Polity' *op cit*.

⁴⁷ See Wolfgang H. Reinecke, *Global Public Policy: Governing without Government*, Washington: Brookings, 1998.

⁴⁸ See Kaul *et al.* *Global Public Goods. Op cit*.

⁴⁹ See, Robert O. Keohane, *After Hegemony: Collaboration and Discord in the World Economy*, Princeton: Princeton University Press, 1984; Helen V. Milner, *Interests, Institutions and Information: Domestic Politics and International Relations*, Princeton: Princeton University Press, 1997.

recognise that resistance is a legitimate part of the governance equation, it is something that is to be managed by governance, not something that is a perpetual part of the process. In this regard, for many key players, global governance is not about politics. There are no problems that good governance cannot contain or 'govern away'. Governance, in its effectiveness and efficiency guise is, for want of a better expression, 'post-political'. Agendas are set and implementation becomes the name of the game. Notwithstanding the fragmented and disaggregated nature of political community in a global era, there is no place outside of the rubric of the existing formal governance structures for autonomous action on global policy issues.

The vision of good governance articulated by the post Washington Consensus implies the universalisation of an understanding of governance based on efficiency and effectiveness, in which democracy is a secondary component. Indeed, much of the prescriptive work on governance undertaken in or around the international institutions at the turn of the century treats governance as a neutral concept in which rationality in decision making and efficiency in outcomes is uppermost. Nowhere is this better illustrated than in the efforts of those around the World Bank and the UNDP to develop public-private partnerships and policy networks for the collective provision public goods.⁵⁰ Such work is innovative, certainly by the standards of the international institutions, but it is also limited by the political implications of its 'top down' intellectual origins.

As a consequence, a case can be made that the post Washington Consensus is likely to be as challenged in the long run as the Washington Consensus. It cannot constitute a template for an emerging 'global governance' agenda, nor even an emerging policy agenda. It suffers from the same failings as its predecessor. It is no less universalising, and attempts to be no less homogenising, than the Washington Consensus. Global policy debates remain reliant on a set of 'generalisable', but essentially western, liberal, principles and policy prescriptions. Even while they offer a more subtle understanding of market dynamics than in the early years of global neo-liberalism these prescriptions still demonstrate a penchant for earlier hyper-globalist universalising notions of a 'one-size-fits-all convergence' for policy reform under

conditions of globalisation. Such prescriptions appear to be increasingly resisted in the developing world as but a new form of Western hegemony.⁵¹

The Participatory Gap in Global Governance. To deny the governance implications of a strategy to develop the collective provision of global public goods is an exercise in semantics. To-date it has allowed little or no provision for the extension and expansion of 'democratic' participation. As is also apparent from recent initiatives within the various international institutions--such as the introduction of the World Bank's 'Global Development Network (GDN) and other efforts to engage civil society in the global policy debates--that this situation cannot long prevail.⁵² Civil society in this sense is becoming to global governance what international markets are to economic globalisation. But, for a range of reasons, closing the 'participation gap'⁵³ by incorporating non-state agencies into this process is not without its own problems. Nor does it minimise the importance of sovereign states which, with their resources and rule making capacities, remain at the base of any strategy to develop the provision of a public goods agenda. This is for at least three reasons

The first is that, despite their visibility, NGOs and other non-state actors cannot approximate the legitimacy of the national state as the repository of sovereignty and policy-making authority, nor its monopoly over the allegiance of the society it is supposed to represent. Second and related, despite the appeal of expanding the parameters of participation to include these important actors, it is widely recognised that they are often less democratically accountable than the states and inter-state organisations they act to counter and invariably less democratic in their internal organisation than their outward participatory activities would suggest.⁵⁴ Third,

⁵⁰ See Reinecke, *Global Public Policy. Op cit.*

⁵¹ For a discussion see Richard Higgott and Nicola Phillips: 'After Triumphalism: The Limits of Liberalisation in Asia and Latin America', *Review of International Studies*, 26 (4) 2000.

⁵² See the essays in Diane Stone (ed), *Banking on Knowledge: The World Bank's Global Development Network*, London: Routledge, 2000

⁵³ Kaul *et al.*: 'Introduction', *op cit.*

⁵⁴ See Cecilia Lynch, 'Social Movements and the Problem of Globalisation', *Alternatives*, 23: 2, 1998, pps. 149-173; Leon Gordenker and Thomas G. Weiss, 'NGO Participation in the Global Policy Process', *Third World Quarterly*, 16: 3, 1995, pps. 543-55. See also the essays on this subject in

implementation of resolutions taken in 'global' negotiations, or often by international organisations, remains primarily the function of national states, or at the very least depends on their compliance and complementary activity at the national level for their implementation.⁵⁵

These observations point to significant anomalies in the system. The expansion of participation to non-state actors such as NGOs and GSMs does not solve the problem of the under-representation of developing country states in the more formalised policy processes. 'Global' governance issues are dominated by the powerful states and alliance constructions and interest representations that feature in the structures of international organisations and groupings such as the G7(8). Various calls for the expansion of the G7 into the G16, G20 or similar, recognise that in order to be effective, global economic leadership needs diversification, and that collaboration in the provision of public goods depends on an extended participation. There is a widespread recognition that the institutional constructions of key global policy forums are insufficient for the generation of meaningful 'global' collaboration on a range of policy issues. Most importantly, the provision of those public goods identified as crucial to the construction of a fairer global order is complicated by the unequal nature of the negotiation processes and, as seen in Seattle and Doha, by the marginalisation of developing states within these processes.

The Roles of States in Global Governance Systems. Implicit in the 'global governance' agenda in Period 5 (in theory at least) is an understanding of governance that transcends the national state. But the practice of the post Washington Consensus governance agenda builds, at first sight, on the idea that states have important functions in a market-based economy, especially when the concerns for governance centre on social equity and justice questions. If we accept that states continue to engage in (at least) two-level games⁵⁶, then effectively these conceptions of

Richard Higgott, Geoffrey Underhill and Andreas Bieler (eds) *Non State Actors and Authority in the Global System*, (London: Routledge, 1999).

⁵⁵ Richard Higgott, 'Beyond Embedded Liberalism: The International Trade Regime in an Era of Economic Nationalism', in Philip Gummert (ed) *Globalisation and Public Policy*, Aldershot: Edward Elgar, 1996.

⁵⁶ Robert Putnam, 'Diplomacy and Two Level Games', *International Organisation*, 42 (2) 1988: 427-60.

governance marginalise the international bargaining role of developing states (through the privileging of civil society actors such as NGOs and the structures of international organisations) while attempting to enhance the position of states as mediators between the forces of global change and the societies they are supposed to represent. For many policy elites in the developing world, attempts to introduce a dialogue with non-state actors represents an alternative to giving the elites themselves a larger voice in the global policy debates and is thus something to be resisted.

Thus there is a danger that international institutions may find themselves on some sort of waste-ground between market economics and a raging debate about the significance and appropriate functions of state institutions. For example, in the 'good governance' and the social capital–state debates, the World Bank seeks, on the one hand, to plug the 'developmental gaps' and close the 'participation gaps' by engaging civil society. On the other hand, it seeks, in similar vein to the IMF in the financial domain, to dictate what states do and how they do it. These institutions attempt to have their cake and eat it as they attempt to downplay the centrality of the state in global bargaining at the same time as they attempt to offset societal opposition to the state's continued pursuit of neo-liberal economic coherence. A similar disjuncture can be seen in attempts by the WTO to secure greater NGO input into the deliberations on the reform of the trading system. At the same time they also fear the potentially disruptive effect that any such widening of the deliberative process might have on the traditional highly structured nature of trade negotiations.

These fears were realised at Seattle and Doha where developing country policy elites were not in accord with their counterparts in the developed world as to what are mutually agreed public goods. While there is a widely held view amongst the economic policy and corporate elites of the developed world that WTO is a public good, this is not a view widely shared in the developing world at the beginning of the 20th century. Many developing countries do not have the technical ability to keep pace with the current WTO 'Built-in Agenda' from the last (Uruguay) round, let alone the desire and political conviction to take on board a range of new agenda items (in the areas of investment, competition policy, labour standards, transparency) currently being pushed by the developed countries in general and the US in particular as part of the current (Doha) round.

One and a half Cheers for International Organisations: The preceding discussion is not a plea to reject a major role for the agents of global governance (international organisations, institutions and regimes). Rather it is a suggestion that we need to look beyond an understanding of them simply as agents of order. International organisations and regimes, notwithstanding their critics and the ups and downs in their fortunes, are not faddish. They represent a continuous theme of development in international governance within the context of an international system of states throughout the twentieth century.⁵⁷ The key characteristic of regimes as instances of international governance is that they are invariably issue-specific in their agendas. In this regard they contrast with domestic systems of government which, although having issue-specific competencies, also have overarching briefs of national welfare and order within confined, territorial contexts.

Within a realist conception of international relations, international regimes and organisations have, in the words of John Mearsheimer, 'no independent effect on state behaviour'.⁵⁸ Through neo-liberal lenses there appears to be slightly more room for manoeuvre, but it is still constrained by the preferences of states. The role of IOs is to act as agents of transparency, reducers of transactions costs and mitigators of market failure. But this does not give them an independent capability to bring about change. We need to look beyond these explanations in an era of globalisation. It is here that an emerging constructivist agenda offers important normative, if not necessarily explanatory, lessons for scholars and practitioners of global governance under conditions of globalisation.

Social and strategic relationships are not merely the aggregate of self-interested calculation (as both realist and neo-liberal approaches to international relations, and most economic theory would affirm). International institutions do not simply reflect the preferences of states, they are also vehicles for moulding and adapting state preferences. This is not to suggest that international organisations will become more

⁵⁷ See Freidrich Kratochwil and John Ruggie, 'International Organisation: A State of the Art on an Art of the State', *International Organisation* 40 (4) 1986.

important than states, or indeed multinational corporations. This is unlikely. In contrast to states, or indeed firms, international organisations (be we talking about the international financial institutions and the WTO or functional organisations of the UN such as the WHO) have no natural constituencies with primary loyalties. Economic life may be increasingly global, but everyday socio-political life for most people, as proponents of 'glocalisation' tell us, remains firmly embedded in national and local settings. It is difficult to have much affection for international institutions simply because they are transaction cost reducers.

The post-Washington Consensus that emerged from the late 20th century crises may not represent radical reform but it does recognise the limits of the market fundamentalism of the late 20th and early 21st centuries. It recognises that global markets are only likely to remain open in the context of an efficient regulatory environment. Yet there is no common shared global morality or sense of values. It is in this context that the development of an understanding of global governance as a mobilising agent has important normative implications. It offers the best opportunity of reinstating a global (Keynesian?) compact or globalising 'embedded liberalism' as a way of re-civilising capitalism after the recent excesses of a neo-liberal hegemony that have progressively weakened it.

This leads to two ironies. The first is that in rejecting the Keynesian compact in the first instance (and especially the role of governments in fighting recession and stimulating demand when necessary) free market fundamentalists attacked and reduced the effectiveness of those very structures that allowed them to operate so successfully and profitably over the last quarter of the twentieth century. Second, some kind of new global regulatory compact, may well be key to the essential survival of open liberalism; thus saving free markets from their own excesses. Let us not forget that, at the time of its inception, the initial Keynesian compact was not just the current state of economic theorising. It was also an exercise in normative political theory. It represented a bargain struck between the state and capitalism that would allow for the continuance of free markets accompanied by mechanisms that would

⁵⁸ John Mearsheimer, 'The False Promise of International Institutions', *International Security*, 15 (1) 1994, p. 7.

prevent repeats of the Great Depressions of the inter-war years and to provide compensatory support systems for those most dispossessed by free markets.

The policy instruments for managing recessions in the developed world under this system were invariably stimulatory and consisted of dropping interest rates, cutting taxes and raising government spending if necessary. By and large they worked. But they were the policies of a pre-neo-liberal market fundamentalist, state centric (essentially embedded liberal) era. The ideology of the 1980-90s was increasingly ill-disposed to such measures and strongly in favour of the global financial market deregulation. Internationally guided interventions in recent crises (principally by the IMF and US treasury) as Stiglitz has recently noted, proposed exactly the opposite prescriptions for the developing countries than was proposed for developed countries in similar crises in different periods. What the crises of the last few years appear to suggest is that the international financial system cannot be left to its own self-correcting devices.

Period 6: Towards a Global Polity?

Historical continuities notwithstanding, there is something new a foot. The contemporary global era, despite the hype, is different from previous historical eras.⁵⁹ Moreover, in addition to its now more commonly understood economic and cultural dimensions, the parameters of a concomitant process of political evolution can also be discerned. This we might call the emerging *global polity*. Strong connections between the emerging discourse on the global polity and contemporary economic and political practice across the borders of the nation-state already exist. But discussion of a global polity must extend beyond the question of global governance to consider normative questions as well as questions of effectiveness and efficiency. There are two sub issues that need to be addressed here.

⁵⁹ The discussion over whether the late twentieth and early twenty-first century is similar or not to the late nineteenth and early twenties century is effectively over. The balance of evidence would now confirm that we are in a different era. The various processes gathered under the generic heading of globalisation do represent a significant societal transformation. See Held et. al. *Global Transformation* Scholte, *Globalization. Op cit.*

Firstly the policy-oriented literature is not, of its own accord, sufficient to assist in the explanation of what is happening in the larger context. Logically, for instance, the discussion of global public goods, ways to provide them, and reasons for their under-provision, also requires a definition of the “global public” as a “publicum” that is entitled to such goods. According to Kaul this ‘publicum’ ideally should consist of humanity as a whole, including future generations.⁶⁰ Thus the scholarly discourse on global public goods presupposes a notion of humanity as not only the total sum of individuals in the world but also as a collectivity, a community, to which public goods should be provided. Without wishing to seem excessively scholarly, the emergence of the global governance system can only be understood within these wider epistemological and ontological contexts.

To date, global governance has been about how best to implement the kinds of economic policies that had under written the rapid expansion of the global economy during the 1980s and 1990s and how to extend these systems of management to the developing world. But a new understanding of global governance has gained currency over the last few years as the articulation of a *counter-globalization* view has developed amongst a range of serious non-state actors and global social movements formerly outside the mainstream of international policy-making. Significant milestones in the development of these counter positions on globalization are to be found with the critical response to the proposed a range of global initiatives.⁶¹ There is now a much stronger normative agenda that cannot be contained within existing structures of global institutional governance. Without a stronger normative reform agenda the prospects of continued global economic liberalization might be much more problematic than had previously been assumed.

While recognizing the complexity of modern life and particularly the continued role of nation states as formal sovereign actors, traditional state centric understandings of international politics need to be transcended. Until now, advances in thinking have been primarily handled by theoretical *supplementation* rather than theoretical

⁶⁰ Kaul, *Global Public Goods, op cit.* 9-11.

⁶¹ Notably: opposition to the Multilateral Agreement on Investment, the backlash against the international financial institutions since the the Asian, and other, financial crises, including now regular

restructuring. For example, neo-liberal institutionalism, has gradually added a series of non-state and trans national dimensions to traditional state-centred realist understandings of international relations. Rather than ‘additionality’, what is required is a view of the world as a much more inter-connected whole than much contemporary academic literature, and policy practice, would concede.

This claim is not as radical as it might at first seem. The essence of the concept of ‘the polity’ exists in a range of different guises.⁶² Concepts like international or global governance,⁶³ the post-national constellation,⁶⁴ the world polity⁶⁵ the global polity⁶⁶ or even the world political system⁶⁷ or the global state⁶⁸ if not interchangeable, at least point in the direction of a system with ‘polity’ like qualities. As I have suggested earlier in the discussion of Period 5, even in the more focussed policy oriented work such as that on global public policy undertaken at the World

protests against the annual meetings of the IFIs and the challenges to a new MTN round at the Seattle WTO Ministerial Meeting, plus support for the creation of alternative the World Social Forum.

⁶² It is given full treatment in the essays in Morten Ougaard and Richard Higgott (eds) *Towards a Global Polity?* London: Routledge, 2002.

⁶³ In addition to literature already cited, such as Rosenau and Czempiel, *Governance without Government*, see *inter alia*, Commission on Global Governance, *Our Global Neighbourhood*, New York: Oxford University Press, 1995; Craig Murphy, *International Organisation and Industrial Change: Global Governance since 1850*, Cambridge: Polity Press, 1994; Oran Young, *Global Governance: Drawing Insights from the Environment*, Cambridge MA: MIT Press 1997, Martin Hewson & Timothy J. Sinclair (eds) *Global Governance Theory*, Albany NY: State University of New York Press, 1999 and Rorden Wilkinson and Steve Hughes (ed) *Global Governance: Critical Perspectives*, London: Routledge, 2002

⁶⁴ Jurgen Habermas, *Die Postnationale Konstellation und die Zukunft der Demokratie*, Frankfurt, Suhrkamp Verlag, 1998 and Michel Zürn, *Globalisierung und Dienationalisation als Chance*, Frankfurt, Suhrkamp Verlag, 1999.

⁶⁵ Seyom Brown, *International Relations in a Changing Global System*, Boulder: Westview Press, 1992 and John Gerard Ruggie, *Constructing the World Polity: Essays on International Institutionalisation*, London: Routledge, 1998.

⁶⁶ Anthony McGrew, ‘Global Politics in a Transnational Era’, in Anthony McGrew and P.G. Lewis (eds) *Global Politics: Globalisation and the Nation State*, Cambridge: Polity Press, 1992 and Morten Ougaard, *Approaching the Global Polity*, University of Warwick: Centre for the Study of Globalisation and Regionalisation, Working Paper 42/1999 at www.csgr.org.

⁶⁷ Edward Luard, *The Globalisation of Politics*, Basingstoke: Macmillan, 1990.

⁶⁸ Martin Albrow, *The Global Age: State and Society Beyond Modernity*, Cambridge: Polity Press, 1996, Martin Shaw, *The Theory of the Global State: Globality a an Unfinished Revolution*, Cambridge: Cambridge University Press, 2000.

Bank⁶⁹ and global public goods undertaken at UNDP emphasise the global nature of these processes.

‘Polityness’, or polity like characteristics, as opposed simply to governance issues have been alluded to in this paper. Let itemise five principal characteristics:

1. Most obviously, there is a growing political interconnectedness. This is a phenomenon recognized several decades ago⁷⁰ but inter-connectedness in a global polity, as opposed to a more traditional understanding of an international system, is not only between states, but also supra, sub and non-state actors. It is nicely illustrated by the way in which sub national systems of government increasingly interact with their counterparts and other non-state actors beyond the borders of the nation state.

2. More concretely, there is a vast and interlocking network of global regulation and sites of decision making where policies of a (quasi) global nature are made.⁷¹ The obvious examples of such activity are to be found in the international organizations (especially in the trade, financial and environmental domains) that have developed throughout the second half of the twentieth century. But also in the last quarter of the century, organizations of private and non-state regulation have stretched out across the public-private divide in international life.⁷² Similarly, regulatory agencies operate at both regional and inter-regional levels.⁷³ For the purpose of defining the global polity, the often-limited efficacy of some of these organizations is of less salience than their existence.

⁶⁹ Wolfgang Reinecke, *Global Public Policy*, *op cit*.

⁷⁰ Quintessentially see Robert O. Keohane and Joseph Nye, *Power and Interdependence*, Boston MA: Little Brown, 1977.

⁷¹ See John Braithwaite and Peter Drahos, *Global Business Regulation*, Cambridge: Cambridge University Press, 2000.

⁷² See Claire Cutler, Virginia Haufler and Tony Porter, (eds) *Private Authority and International Affairs*, Albany NY: State University of New York Press.1999.

⁷³ See for example, William Coleman and Geoffrey Underhill (eds) *Regionalism and Global Economic Integration: Europe, Asia and the Americas*, London: Routledge, 1998.

3. Perhaps a more difficult dimension of this process to capture, but no less important for that, is the growing sense of ‘community’ that appears to be developing beyond the confines of the state. As Robertson would have it, globality is defined in the context of a consciousness ‘... of the world as a single place’.⁷⁴ This is not to suggest the emergence of a common set of global values rather than to indicate the growth of thinking about ‘the world’ as an identifiable sense of place or space where different values can legitimately contest one another other. While the consensus may be minimal, there is nevertheless some recognition of the appropriateness of ‘global discourse’ in emerging global public space. A quintessential fact of international political life has been the multiplication of global gatherings. These can range from meetings of small non-governmental organizations (NGOs) and Global Social Movements (GSMs), through the UN conference system.

Gatherings at the global level cover issues as diverse as gender, development, environment, welfare, cities, security through to the Davos-style gatherings of the rich and powerful of the private (and public) sector policy-making world and now their counterpart gatherings such as the Porto Allegro World Social Forum. These gatherings argue over the validity of a multiple array of global principles and practices. Again, while there may not be agreement arising from these global public discourses, the fact that they take place is surely testament to the existence of global polity-like behaviour. The frequent absence of consensus in most of these global discourses does not rule out the recognition of ‘community’ present in that strand of activity that constitutes the emerging global polity.

A major impetus for the organization of global political life is coming from the bottom up, driven by non-state and sub-state actors as well as the more traditional actors in international relations. If private actors coordinate their political claims to national government policy across borders this is not an instance of global governance in the sense it has been traditionally understood, but rather an instance of what we might call the globalization of political life. Indeed, it is sufficient for national actors merely to inspire each other through processes of cross border socialization and policy learning for it to be meaningful to talk of internationalization of political life.

⁷⁴ Roland Robertson, *Globalisation: Social Theory and Global Cultures*, London: Sage, 1992: 132.

In short, while there is no agreement over the legitimacy of many global processes, there would appear to be a shared understanding of the emergence of these processes. The global polity does not exhibit a unified set of settled constitutions, institutions and practices. But this is not a reaffirmation of the traditional realist understanding of international anarchy, where the best that can be hoped for is the existence of a set of weak norms and principles to which traditional state actors may or may not adhere. Rather, the existence of norms and principles that guide states are also joined by an ever thickening web of institutions and regulatory activities at the global level that approximate to some extent the developments that have occurred throughout the nineteenth and twenty century within the borders of the sovereign state. This is polityness. As Murphy has shown, evidence of this process is to be found in the development of international organization throughout the twentieth century.⁷⁵ States and non-state actors may be in disagreement about the norms and principles that are emerging. But the very fact of contesting the nature of these principles and practices in global assemblies and other instances of global public space has the consequence (unintended as it may be) of furthering the development of a global polity.

4. The significance of the global polity as a category is enhanced by the weakening effect that globalization has on the domestic polity. As suggested earlier, one of the major impacts of the consolidation of globalisation in OECD countries is the manner in which it has begun to weaken the social bond between citizens and the state that had been developed since the consolidation of the Westphalian system. As the role of the nation state as a vehicle for democratic engagement becomes more problematic, the clamour for democratic engagement at the global level may become stronger.

5. We are at the beginning of this process, not the end of it. This is not to suggest that such processes do not have historical parallels, nor that it will not suffer setbacks and reversals. Rather, that from the time of ancient Rome through that of medieval Western Europe to today, the secular trend has been in the direction of more complex, more all-embracing institutional organisation. If Marx was alive he would anticipate the globalising of the political superstructure to accompany the globalisation of the

⁷⁵ Murphy, *International Organisation and Industrial Change*, *op cit*.

economy. Similarly, were Weber with us, he would see the appropriateness of attempting to theorize the global polity. The form of its evolution is not predetermined. No teleology is implied. Global life is a political issue. It is politics (not just dramatic economic and technological change) that will constitute the shape and evolution of the global polity over the coming decades.

There are, of course boundaries to any discussion of the emergence of a global polity. How is it possible to talk about the existence of a polity in the absence of constitutional arrangements or formally codified norms? An important question in some contexts, it is not relevant here. Formal constitutional arrangements are more the essence of statehood than they are of politics. Constitutionalism is an element of a polity, but not a defining one. Moreover, constitutional arrangements emerge over time through custom and practice. It is not always the case that they are formally codified. At the risk of frivolity, were forma, constitutional codification the essential prerequisite, it would be possible to argue that the United Kingdom was not a polity.

There is also an absence of universalism and the unevenness, indeed in some cases there is a total lack of inclusion of large sections of the world in these processes. Does this render unacceptable any notion of globality? Maybe not. That the processes described may be partial does not make them any the less real. This unevenness should only be expected. As Robert Cox has noted, what he calls the 'international political structure ... appears to be more evolved, more definitive in some of its parts, less formed, more fluid, in others, and connections between the parts are more stable in some cases and more tenuous in others'.⁷⁶ Indeed, it is most developed in the northern world and especially at the regional level in Europe. These linkages are least developed between the North and the South (where the relationship is one of asymmetric integration of the south into the global economy) and between states and non-state actors in the South, where the linkages are more often simply undeveloped.

⁷⁶ Robert Cox, *Production Power and World Order: Social Forces in the Making of History*, New York: Columbia University Press, 1987, 258.

Conclusion (unfinished)

Globalisation has caused us to rethink the nature of the market and the state and it will gradually cause us to rethink the nature of politics. But we are at an early stage in this analytical and normative process. The top down agenda of global governance of Periods 4 and 5 has been driven by an understanding of governance circumscribed primarily as the effective and efficient provision of public goods. While this is no bad thing of its own, it denies the limited nature of such a strategy. The improved provision of public goods via enhanced transparency and reduced transaction costs is a necessary, but not sufficient condition for improved global governance. Insufficient attention has been paid to-date to the democratic deficit inherent in this approach and the absence of legitimacy of the approach for would-be recipients of public goods. This is in large part, I have argued, attributable to the limits of a liberal institutional approach to understanding global governance, with its emphasis on process and procedure, that currently dominates the international policy agenda.

The weakness with a liberal institutionalist approach, driven by rational actor models, is that it frequently exhibits a deficient understanding of the way in which politics can transform (often derail) such processes. In effect, governance, defined as effectiveness and efficiency, operates with a very old fashioned understanding of the distinction between politics and public (administration) policy. It aspires to governance without politics and as such appears doomed to failure. To 'depoliticise'—that is place at one step remove the effects of globalisation on the world's citizenry—is to misunderstand the manner in which it is the *practice* of politics that creates the structures of communities.⁷⁷

The current global governance agenda, largely because it is driven by members of a de-territorialised trans-national policy elite and notwithstanding growing voices from the margins, has little conception of the residual strength of identity politics and the

⁷⁷ Bernard Crick, *In Defence of Politics*, London Penguin, 1962, 24.

importance of social bonds within communities. Nor does it appreciate the manner in which globalisation appears to be picking many traditional social bonds apart without creating new sources of solidarity.⁷⁸ In this context, effective and legitimate global governance, without a sense of global community, would appear a remote prospect.

Real governance is also about political contest, over issues such as distribution and justice. It is concerned with the empowerment of communities from the bottom up rather than just the top down promotion of the public good. These are issues that, in other than rhetorical fashion, still fall into the too hard box for the global policy community. They are either ignored, or assumed away. The global distribution of wealth and poverty, as currently constituted, is not part of the agenda for consideration. But while governance is about making choices, many specialists at the international institutions, especially those trained only in economics, see their tasks as de-politicised and technical.

I am not making an argument against technical expertise. But, as we know well, politics within states would not function if the same rules and styles of operation—which institutional actors are trying to put in place in an emerging global public sphere—applied in the domestic public sphere. A global public domain, in which a deliberative dialogue between rule makers and rule takers, of the kind envisaged by cosmopolitan theorists can take place, is required. But, the up-scaling of a democratic system from the national to the global level is not going to be easy. It is difficult enough for citizens to contest governmental decision making within states. It is always going to be harder beyond territorial borders.⁷⁹

The key difference between the domestic and international levels is that important background norms and private arrangements that are the stuff of politics at the domestic level are not so well developed globally. Difficult issues and questions, placed in the 'too hard box' and thus ignored at the global level, are more difficult to avoid at the domestic level. This is because politics, as opposed to governance, is

⁷⁸ See Devetak and Higgott, 'Justice Unbound? Globalisation, States and the Transformation of the Social Bond', *op cit*.

⁷⁹ Robert Dahl, 'Can International Organisations be Democratic?', in I Shapiro and C. Hacker Gordon, (eds) *Democracy's Edge's*. Cambridge: Cambridge University Press, 1999.

more advanced, with more avenues for interaction contest and compromise. The Laswellian distributive questions of ‘who gets what, when, how and where’—have been removed from the international politics of the global economy. And this at the very time when the dis-aggregation of the state and the geographical expansion of the economy is creating new intersecting relationships between local and global actors that will make these issues and questions the stuff of international politics in this new century. The influential actors in the global policy community, and the international institutions as significant sites for policy making, continue to denying, or at least fail to address seriously, the Lasswellian questions. If we take a longer term historical perspective, it is reasonable to conclude that they are merely staving off the day when they will have to confront these questions in a manner they have failed to do to-date.