Global capitalism and the state

JAN AART SCHOLTE

'Globalization' is a term that has come to be used in recent years increasingly frequently and, arguably, increasingly loosely. In a close analysis of the term, the author focuses on the concept of globalization as the transcendence (rather than the mere crossing or opening) of borders arguing that this interpretation offers the most distinctive and helpful insight into contemporary world affairs. The article goes on to explore one of the key questions raised by this trend, namely, how the growth of suprateritorial space has altered capitalism in general, and the role of the state within capitalism in particular. The author concludes by suggesting that if globalization poses a threat, it is not (as is often argued) to the state itself, but rather to democracy.

A number of commentators on globalization have recently speculated that the logic of modern economic development is making the state redundant.* The argument is hardly new. Early in the twentieth century both Leninists and certain liberal internationalists forecast the demise of the state. Functionalist theories of international integration reiterated the prediction in mid-century, while some versions of what was called 'transnationalism' recycled the argument in the 1970s. In the latest revival, several best-selling management consultants of the 1990s have suggested that, with the contemporary advance of globalization, the state has seen its day.¹ In a similar vein, various public policy analysts have proposed that global companies are creating a world beyond states and nationalities.²

As in previous rounds of this debate, 1990s predictions of the end of the state have provoked insistent refutations. For example, in a series of publications Paul Hirst and Grahame Thompson have maintained that arguments of globalization are greatly exaggerated and that states retain many crucial capacities for govern-

* I am grateful for the comments of an anonymous referee on an earlier draft of this article.
nance.\textsuperscript{3} In the realist tradition of international relations theory, Stephen Krasner has affirmed that in the late twentieth century 'de facto [state] sovereignty has been strengthened rather than weakened'.\textsuperscript{4} Sociologists like Michael Mann who 'brought the state back in' to their discipline during the 1980s have also been sceptical of any proposition that the state is making its exit from history.\textsuperscript{5}

Of course one can, like Mann, refute the globalism of Reich \textit{et al.} without turning to the realism of Krasner \textit{et al.} In this vein Susan Strange has described important shifts in the quality as well as the quantity of state power and authority.\textsuperscript{6} For his part Phil Cerny has traced a transition 'from the welfare state to the competition state' in advanced industrial economies, as governments 'attempt to respond to, and shape and control, growing international economic interpenetration'.\textsuperscript{7} Other, more deeply critical analysts of international political economy have proposed that, under globalizing capitalism, a globally oriented state and/or suprastate governance agencies are—without adequate democratic controls—supplementing, if not substantially supplanting, the territorial nation-state of old.\textsuperscript{8}

This article likewise regards the relationship between globalization and the state in terms of subtle interplays of continuity and change. Broad underlying continuity is discerned in so far as the state and interstate relations persist at the core of governance arrangements in the contemporary globalizing world. Yet there is also notable change in the character of the state: its capacities; its constituencies; its policy-making processes; its policy contents; and so on.

This thesis is developed below through an analysis of global capitalism. Both the causes and the consequences of globalization are substantially bound up with a capitalist political economy.\textsuperscript{9} On the one hand, the dynamics of surplus accumulation have been a major force behind contemporary globalization and

\begin{thebibliography}{9}
\item \textsuperscript{5} M. Mann, 'Nation-states in Europe and other continents: diversifying, developing, not dying', \textit{Daedalus} 122, Summer 1993, pp. 115–40; also M. Shaw, \textit{Global society and international relations: sociological concepts and political perspectives} (Cambridge: Polity, 1994).
\item \textsuperscript{6} S. Strange, \textit{The retreat of the state: the diffusion of power in the world economy} (Cambridge: Cambridge University Press, 1996).
\item \textsuperscript{7} P. G. Cerny, \textit{The changing architecture of politics: structure, agency, and the future of the state} (London: Sage, 1990), p. 205 and ch. 8 \textit{passim}.
\item \textsuperscript{9} In the present writing 'capitalism' describes not 'private enterprise' nor 'market economics' so much as that situation where production is predominantly organized around processes of surplus accumulation. Under capitalism much economic activity—especially that controlled by the more powerful circles in society—is directed at building up ever greater stores of resources in excess of subsistence needs. The drive to accumulate surplus is prone to encourage both perpetual competition among capitalists and a highly unequal distribution of surplus value across the population at large.
\end{thebibliography}
on the other, globalization has considerably reshaped the workings of capitalism, including in particular the activities of the state.

To be sure, globalization cannot be reduced to a question of capitalism alone. Thus, when taken as a whole, my study of globalization has not espoused a narrow materialist political economy, it has also accorded causal significance to structures of, for example, identity, community, knowledge, and ecology. Yet no account of globalization and the state is adequate without extended attention to capitalism either, and it is regrettable that so much analysis of globalization has neglected even to consider the importance of processes of surplus accumulation.

The remainder of this article elaborates an argument concerning the changing state under circumstances of globalizing capitalism in three sections. First, in view of the great diversity and the usual vagueness of notions of ‘globalization’, it is necessary to specify how that term is understood in the present context. I argue in the first section that ‘globalization’ acquires a distinctive and analytically extremely helpful meaning when it is conceived of as the spread of ‘supraterritorial’ or ‘transborder’ relations. This approach contrasts with the more prevalent conceptualizations of globalization as ‘internationalization’ and/or ‘liberalization’.

The second section examines in general terms the relationship between globalization and capitalism. As a causal force, processes of surplus accumulation are seen to have encouraged the rise of supraterritoriality in three broad ways, namely, through the pursuit of: (a) larger market range; (b) lower costs of labour, taxation, and regulation; and (c) new opportunities for accumulation through intangible items such as information, telephone conversations, and mass media productions that circulate in global space itself. At the same time, globalization has also had major repercussions for capitalism. For one thing, a great deal of capital has adopted a supraterritorial mode of organization: in terms of transborder companies, global strategic alliances, and transworld business associations. Furthermore, struggles for world market position in the present globalizing economy have encouraged waves of mergers and acquisitions between firms both within and between countries. As a consequence, levels of concentration have risen in many industries. Globalization has also effected a substantial deterritorialization of money, that key channel of capital accumulation.

Having developed this broader account of global capitalism, the article turns in the third section to the character and activities of the state in relation to transborder accumulation. Here it is argued that global capitalism has contributed to: (a) the end of sovereign statehood; (b) a rise of supraterritorial constituencies; (c) possibly, a decline in interstate warfare; (d) increased constraints

on state provision of social security; (e) a growth of multilateralism; and (f) the impracticability of achieving democratic governance through the state alone. In sum, then, although the state survives under globalizing capitalism, it is in at least six important respects a different kind of state.

**What is ‘global’ about globalization?**

Ideas of ‘globalization’ are so broad, so diverse and so changeable that it sometimes seems possible to pronounce virtually anything on the subject. Although this danger is clearly present, notions of ‘globalization’ can—when developed with care, precision, consistency and suitable qualifications—be more than intellectual gimmick. For immediate purposes, in any case, a distinct and explicit conception is needed to lend focus and internal coherence to the present argument.

In one way or another, discussions of globalization usually highlight the question of borders, i.e. the territorial demarcations of state jurisdictions, and associated issues of governance, economy, identity and community. Around this theme of borders one can distinguish three common understandings of the term ‘globalization’. The first identifies globalization as an increase of cross-border relations. The second treats globalization as an increase of open-border relations. The third regards globalization as an increase of trans-border relations. Although these three notions overlap, they also have qualitatively different emphases. The third conception is the newest and offers the most distinctive and helpful insight into contemporary world affairs. Subsequent sections of this article will therefore build on the notion that globalization involves a growing transcendence of borders.

When understood in terms of proliferating cross-border exchanges, ‘globalization’ is in effect synonymous with ‘internationalization’. Indeed, many people in official, commercial and journalistic circles use the two words interchangeably. They take ‘globalization’ to denote increased movements between countries of goods, investments, people, money, messages and ideas. From this perspective, greater global interconnectedness means no more and no less than deepened international interdependence. ‘Global’ trade is simply a larger amount of ‘international’ trade; ‘global’ migration is merely a greater concentration of ‘international’ migration; and so on.

Interpreted along these lines, the term ‘globalization’ is redundant. Levels of cross-border activity have risen and fallen from time to time throughout the history of international relations. For example, on various measures the amounts of cross-border trade, investment and migration a hundred years ago were roughly the same as or higher than they are today. The old vocabulary of international relations is perfectly adequate to describe such trends. When ‘globalization’ is used merely to denote ‘internationalization’, sceptics are right to ask why such a fuss is made about the issue.
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In the second usage distinguished above, 'globalization' refers to the contemporary large-scale opening of borders as states remove countless regulatory barriers to international trade, travel, financial transfers and communications. Here 'globalization' is used synonymously with 'liberalization'. On this account, the term describes the creation of a single borderless world. It is presumed that opening borders will yield planetary integration: a unitary 'global' economy will replace country economies; a 'global' government will replace territorial states; a homogeneous 'global' culture will replace diverse local cultures; and allegiances to a 'global' community will replace national loyalties.

This second widespread usage is also redundant. Here the vocabulary of 'liberalization' is perfectly adequate. Again, the history of international relations has seen other moments when state controls on transactions between countries were significantly reduced. The term 'globalization' was not needed on those occasions, and it is not needed to describe the contemporary 'opening' of borders. Likewise, on broad lines the arguments of today's 'globalists' have been heard before. They rehash the sorts of points that anti-mercantilists advanced in the eighteenth century, that classical liberals proposed against statists in the nineteenth century, that liberal internationalists affirmed against proponents of balance of power policies in the early twentieth century, and that 'transnationalists' pitted against 'realists' in the field of International Relations during the 1970s.

These two more conventional definitions, then, tell us nothing new; however, they do not exhaust the possible conceptions of globalization. A third and more innovative construction—generating the meaning of the term which informs the present article—highlights a trend whereby social relations become less tied to territorial frameworks. From this perspective borders are not so much crossed or opened as transcended. Here 'global' phenomena are those which extend across widely dispersed locations simultaneously and can move between places anywhere on the earth pretty much instantaneously. Territorial distance and territorial borders hold limited significance in these circumstances: the globe becomes a single 'place' in its own right.

Globalization—the rise of this supraterritoriality—can be seen in countless situations of contemporary social life. For the sake of analytical convenience, the many manifestations might be grouped under six headings. First, in the sphere of communications, media such as air travel, telephony, computer networks, radio, and television allow persons anywhere on earth to have nearly immediate contact with each other, irrespective of the territorial distance and borders that might lie between them. Second, in the area of organizations, the late twentieth century has witnessed a proliferation and expansion of business enterprises, civic associations and regulatory agencies that work as transborder operations. Third, in respect of trade, much movement of goods and services between countries today falls within a transworld marketing exercise: consider, for example, Disney films, AIG insurance policies and countless other global products. Fourth, in terms of finance, globalization occurs with the spread of various monies (e.g. the US dollar and the Special Drawing Right) and finan-
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cial instruments (e.g. eurobonds and many derivatives) that electronically circulate anywhere and everywhere across the world in an instant. Fifth, concerning ecology, the late twentieth century has brought a number of anthropogenic alterations to the environment that are not constrained by distance or circumscribed by borders. Examples include stratospheric ozone depletion and the decline in biological diversity. Sixth, in regard to consciousness, globalization is evidenced in so far as people conceive of the world as a single place, affiliate themselves with communities (e.g. of religious faith, race, etc.) that transcend borders, and otherwise understand their destiny in transworld as well as (or perhaps instead of) territorial terms.

It should be noted that, in each of these six interrelated spheres, globalization is mainly a characteristic of recent decades. To be sure, early intimations of supraterritoriality can be traced back several hundred years, when some imaginations contemplated the possibility of transborder government, instant transworld communication, and so on. More tangible and sustained manifestations of globality began to multiply in the second half of the nineteenth century, for example in the form of transworld telegraphy, a few global products like Remington typewriters, and so forth. However, the scale of this transborder (as opposed to cross-border) activity was comparatively small. The great intensification of global relations (when understood in terms of the transcendence of borders) has unfolded since the 1950s, and at a generally accelerating rate.

In sum, then, the third and most distinctive conception sees globalization as a fundamental transformation of human geography. On the eve of the twenty-first century, world affairs have acquired a (rapidly growing) global dimension alongside the territorial framework of old. Of course—and this point cannot be stressed too much—it is not that territorial space has become wholly irrelevant in contemporary history. We live in a globalizing rather than a completely globalized condition. Global spaces of the kind formed through telecommunications, transworld finance, and the like interrelate with territorial spaces, where locality, distance and borders still matter very much. Thus, for example, people have not while acquiring a global imagination discarded their affinities for particular territorial places. Similarly, global marketers have found on countless occasions that they need to tailor their products and promotions to local sensibilities. However, notwithstanding this important qualification, it remains the case that the territorialist assumptions which underpin modern understandings of ‘international relations’ have become untenable.

Supraterritorial capitalism

It would be overly simplistic, on Marxist lines, to explain the development of globalization solely in terms of capitalism. As I elaborate elsewhere, technological innovations, the dynamics of the states system, and certain features of modern culture have also contributed to the transcendence of borders in ways that
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are not reducible to capitalism. That said, however, the pursuit of surplus accumulation has provided a principal and powerful spur to globalization. To this extent Karl Marx has been borne out in his prescient observation, already in the 1850s at the dawn of supraterritoriality, that 'capital by its nature drives beyond every spatial barrier' to 'conquer the whole earth for its market'.

Today, in the words of the Secretary-General of UNCTAD, 'producers and investors increasingly behave as if the world economy consisted of a single market and production area.'

As indicated in the beginning of this article, the present section explores both the causes and the consequences of globalization in relation to capitalism. In terms of causation, dynamics of surplus accumulation have fuelled globalization by virtue of certain features of markets, production costs and commodification. In terms of consequences, globalization has brought much supraterritorial organization of capital, waves of mergers and acquisitions, and considerable delinkage of money and finance from territorial space. In addition—as will be elaborated in the third section of the article—the growth of a supraterritorial dimension of accumulation has implied changes in the character and activities of the state.

Global markets

First, then, capitalism has encouraged the growth of transborder relations in so far as firms have over recent decades increasingly pursued transworld marketing possibilities. With the global reach afforded by telecommunications, computerization and air travel, a company can develop any promising market site, wherever in the world it might be situated. Since the 1970s a number of companies have also developed transborder chains of retail outlets: 7-Eleven, Benetton, IKEA, and so on. Sometimes buyers of a global product will have been prodded by the same transborder promotion campaign. By 1992 all but one of the 40 largest advertising agencies in Britain and the United States had departments that specialized in the production of global commercials. In these ways and more, globalization has figured importantly in the intensification (uneven, to be sure) of consumerism across the world over recent decades.

By increasing turnover, global sales can create new economies of scale and associated possibilities for enhanced profitability. Indeed, it may well be that, as

11 I elaborate these points in Scholte, Globalisation: a critical introduction.
various authors have argued, the cost of developing contemporary ‘high technology’ is such that only a global market can provide a scale of return to make such ventures commercially viable. Furthermore, in this and other sectors, corporate earnings can be advanced through coordinated transworld marketing strategies that *inter alia* focus sales efforts on points of greatest profit. In addition, a firm can maximize long-term earnings by covering initial losses at new market locations with high surplus revenue from established outlets.

As a result of the widespread globalization of markets, consumers dispersed across many corners of the planet purchase the same goods at the same time. The market for, say, a Volvo car, a Hilton Hotel room, a yen-denominated bond, a Samsung television, Nestlé foods or any of countless other articles is not defined in terms of territorial units. In Michael Porter’s formulation, ‘market segments today seem based less on country differences and more on buyer differences that transcend country boundaries.’ A global corporate sales network transacts business anywhere in the world instantly via office computer and telephone. For example, the Sabre transworld airline reservation system, founded in 1962, now connects computer terminals on the desks of 28,000 travel agencies in 74 countries. With excess exuberance, Bill Gates of Microsoft promises a future ‘shopper’s heaven’ in cyberspace, where ‘all the goods for sale in the world will be available’ from home via the Internet.

Given the circumstances just described, many corporate executives have come to believe that global marketing is essential to commercial survival. Reflecting this widespread conviction, a recent banner in the *Wall Street Journal* declared: ‘Globalization. It’s not a luxury anymore, it’s a necessity.’ In practice, ‘going global’ has often disappointed capitalist expectations, sometimes even hurting a company’s balance sheet. Nevertheless, visions of and ambitions for transborder markets have continued to give a major spur to globalization.

**Global production**

A second cluster of important capitalist impulses towards globalization relates to the opportunities that transborder relations afford for reduced costs of production. In this vein enterprises have pushed the development of global communications, global organization and global finance in order to be able to site production operations wherever labour costs, taxation rates, regulatory frameworks and other variables are most favourable to them. Through so-called ‘global sourcing’, a company draws the materials, components, equipment and services it needs from anywhere in the world. For example, more than 100 of

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the largest 500 US-based businesses today use software services in India.\(^{20}\) The expense of transborder coordination of production processes is often much less than the cost differentials between far-flung places. With capitalism driving globalization, it has, in the words of Milton Friedman, become possible ‘to produce a product anywhere, using resources from anywhere, by a company located anywhere, to be sold anywhere’.\(^{21}\)

Companies can also relocate with comparative ease in response to changing cost conditions. In one (admittedly extreme) example of ‘country-hopping’, the athletics suppliers Nike during a recent five-year period closed 20 factories and opened 35 others at new sites, many of them thousands of miles away.\(^{22}\) In cases where plant relocation is difficult or unacceptably expensive, a transborder company can still increase its earnings through subterfuges of global accounting. With transfer-price manipulation, for example, the firm juggles its balance sheets so that profits are largely ‘relocated’ to those parts of the enterprise which are situated in countries or districts of lower taxation.

In some cases, companies have exploited the possibilities of globalization to spread the various stages of a single production process across several countries. In a so-called ‘global factory’, different countries might host the research centre, fabrication plant, assembly line, quality-control operation, and so on. Illustrating such an arrangement in the clothing sector, the head of Levi Strauss has explained that ‘our company buys denim in North Carolina, ships it to France where it is sewn into jeans, launders these jeans in Belgium, and markets them in Germany using TV commercials developed in England.’\(^{23}\) Transborder production processes have also developed in the manufacture of many motor vehicles, leather goods, sports articles, toys, optical products, consumer electronics, semiconductors, aeroplanes and construction equipment. Global factories employ only a small proportion of the total world workforce, but in the sectors just named they are very important.

Faced with this transworld reach and mobility of capital, labour—for which border controls remain very real indeed—has seen its bargaining position vis-à-vis management substantially weakened in the late twentieth century. Critics often allege that globalization has increased unemployment (particularly in more industrialized countries), worsened working conditions for those people who retain waged jobs, and thereby threatened social cohesion.\(^{24}\) It is far from clear that transborder production must (as a matter of economic and historical necessity) have such effects; however, considerable evidence can in the event be marshalled to link contemporary globalization to growing income

21 Cited in Naisbitt, Global paradises, p. 10.
24 See, e.g. R. Nader et al., The case against free trade; GATT, NAFTA, and the globalization of corporate power (San Francisco: Earth Island Press, 1993); J. Brecher and T. Costello, Global village or global pillage: economic reconstruction from the bottom up (Boston, MA: South End Press, 1994).
inequalities, greater job insecurity, and so on.\textsuperscript{25} Even the organizers of the World Economic Forum, an association linking some 900 transborder companies, have recognized the need of ‘demonstrating how the new global capitalism can function to the benefit of the majority and not only for corporate managers and investors.’\textsuperscript{26}

**Global commodities**

The third major way in which capitalism has fuelled globalization stems from the opportunities for surplus accumulation that are presented in the creation of supraterritorial spaces themselves. The infrastructure of globalization provides profitable business on a very large scale indeed. Companies dealing in digital information technology, telecommunications, electronic mass media and transborder finance have since the 1970s risen to great prominence on the world’s securities exchanges. Moreover, these industries now not only service older sectors of capitalist activity; they have also become major spheres of production in their own right.

Thus globalization has provided opportunities to extend what Marxists term ‘commodification’ to new kinds of articles. Indeed, with the growth of transborder relations, we have seen a notable shift in capitalism’s centre of gravity from ‘merchandise’ (traditional trade and industry) towards ‘intangibles’ (finance, information and communications). In the territorial economy, profit is mainly pursued through agriculture, mining, manufacturing, and the like. With globalization, surplus is also accumulated through electronic financial transactions, the production of data, and flows of images and sounds—all now to a large degree as ends in themselves. To take just one example, less than 5 per cent of foreign exchange transactions in the 1990s is directly connected to trade between countries in ‘real goods.’\textsuperscript{27}

**Global business organization**

Another major change in capitalism—which all three of the general impulses to globalization covered above have encouraged—is the rise of the transborder company. Discussions of this phenomenon usually speak of ‘multinational’ or ‘transnational’ corporations. Not only are these labels misnomers (since most of the firms in question retain a pronounced national identity), but they also fail to capture the distinctive feature of these enterprises: namely, the substantial (albeit not complete) transcendence of distance and borders in their activities. The terms ‘global’ or ‘transborder’ companies fit the bill far better.

\textsuperscript{25} Elaborated in Scholte, Globalisation: a critical introduction.


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The count of enterprises with operations in more than one state jurisdiction increased from 3,500 in 1960 to 40,000 in 1995. These companies are highly significant in contemporary capitalism. For example, it is estimated that intrafirm trade between subsidiaries of the same transborder corporation accounts for at least a quarter and perhaps as much as over 40 per cent of the world's total cross-border commerce. Although transborder firms directly employ only a very small proportion of the world workforce, they figure very prominently in terms of their share of world research and development activity, markets and profits.

In addition to the growth of suprateritoriality within many companies, globalization has also opened the way to so-called 'strategic alliances' between enterprises. The term 'strategic alliance' covers all manner of cooperation agreements between legally separate corporations. Interfirm collaboration can involve subcontracting arrangements, joint research efforts, co-production operations, joint marketing and distribution, and many other cooperative activities. A burgeoning 'diplomacy' between firms has since the early 1980s produced thousands of these corporate 'treaties', especially in the automotive, information technology, pharmaceutical, telecommunications and travel sectors.

In a further large-scale institutional trend, contemporary globalization has stimulated many companies to go beyond strategic coalitions to full-scale fusion. The 1980s and 1990s have seen successive flurries of mergers and acquisitions (M&A). Following a sequence of record-setting increases, the number of cross-border takeovers reached nearly 6,000 in 1995, with an aggregate value of $229.4 billion. Thousands more M&A deals have taken place within countries, often with the specific aims of creating a larger national firm that is capable of surviving competition from transborder rivals and/or using the enlarged entity to launch or expand transborder operations. The rise of suprateritoriality has also been implicated in 'merger mania' in so far as the deals have been especially prevalent in sectors at the heart of globalization such as brand-name consumer articles, tourism, aircraft production, banking, insurance, informatics, telecommunications and electronic mass media.

True, the mid-1990s have witnessed several important demergers as well; nor are mergers and acquisitions by themselves guarantees of profitability in the globalizing world economy. Indeed, many fusions have failed in terms of subsequent share price performance, earnings growth, turnover of top executives, new product development, etc. Nevertheless, the overall trend in the present context of globalization has been decidedly towards increased combinations, and the tendency to merge in response to global market competition shows little sign of abating.

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As a result largely of strategic alliances, mergers and acquisitions, globalizing capitalism has brought increased concentration of ownership and power to many areas of production. For example, in several industries fusions have involved a 'mega-merger' of corporate giants that has radically transformed the competitive balance in these sectors. A limited number of large firms now dominate world production of aircraft, electrical equipment, film, music recordings, insurance, telecommunications, debt instruments, semiconductors and credit cards. In these circumstances, the largest 300 transborder firms control 70 per cent of all foreign direct investment (FDI) and anywhere between a quarter and a third of all corporate assets worldwide.

Overall, then, four decades of accelerated globalization have yielded conditions of considerable oligopoly in the world economy. Indeed, there is a widespread assumption in many corporate circles that only the largest company in a sector—or possibly the two or three biggest firms—can profit in a global market. The much-discussed 'pressures of global competition' have made governments and citizens more ready to allow 'their' corporate flag-carriers to acquire market dominance of a degree that an earlier generation would not have countenanced. No Global Monopolies and Mergers Commission or Global Anti-Trust Authority has emerged to monitor, and if necessary curtail, this concentration on a world scale.

Capitalism has also adopted global forms of organization in respect of business associations, creating something of a transborder community of managerial elites. The International Chamber of Commerce and a few sector-specific bodies like the International Federation of the Phonographic Industry date from the interwar period, but such transborder lobbies have proliferated since the 1960s. Moreover, some of these organizations have lately played an important regulatory role, particularly in the financial sector. For instance, non-state agencies like the International Securities Market Association (ISMA) and the International Accounting Standards Committee (IASC) have developed rules to govern their respective spheres of global markets. Meanwhile, bodies like the World Economic Forum (founded in 1971) and the Trilateral Commission (1973) have given transborder business a voice in broader public policy. For example, the WEF was instrumental in launching the Uruguay Round of GATT in the mid-1980s and has even attempted conciliation in intractable interstate conflicts such as the Arab–Israeli and Greco–Turkish disputes. For its part, the World Business Council for Sustainable Development has since 1995 linked 125 global companies to promote 'eco-efficient leadership'. Global business also stands behind transborder philanthropy as dispensed through multibillion-dollar endowments including the Ford, Kellogg, Packard, Rockefeller and Soros Foundations.

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Global money and finance

A last—and no less crucial—consequence of globalization for capitalism concerns the detachment of money from territorial space. From the dawn of modern capitalism money has been the principal means through which surpluses are distributed across society. More particularly, monetary measures like wages, prices, interest charges, dividends, foreign exchange rates, and so on have generally defined economic value in such ways that accumulating capital has been shared highly unequally both within and between countries. It is largely money, and its manipulation through financial instruments, that has created a ‘capitalist class’.

Prior to contemporary accelerated globalization, money and finance operated almost entirely in a territorial political economy. Money took material forms: coinage, paper bills, etc. It was transported over land and sea in pockets and cases (although wired transfers by telegraph began on a small scale in the final decades of the nineteenth century). Especially in the hundred years to 1960, monies, bank assets, securities, and so on had a clear national identity and circulated mainly within the territorial jurisdiction of the state where they originated. Certainly there were international loans and foreign bonds; but these transactions were always bilateral, cross-border affairs: that is, the credits emanated from one country, denominated in the currency of that country, directed at a borrower in a second country.

After several decades of substantial globalization, this situation has changed. For one thing, the link between money and territory has greatly loosened. Most money has left wallets and safes to be stored and moved in the distanceless, borderless cyberspace of banking computers. With these electronic flows a national currency can circulate as easily outside as inside its ostensible ‘home’ country. In the late 1980s almost as many US dollars were held outside as inside the United States, and in certain situations of major financial insecurity (e.g. in much of post-communist eastern Europe) the greenback has largely displaced the local national money as a store of value. Certain other money forms of the late twentieth century lack a single country referent. Prime examples include the Special Drawing Right (issued through the IMF since 1968) and the European Currency Unit (employed by the European Union since 1978). Meanwhile, several hundred million credit cards and bank passes in circulation today are valid in scores of countries worldwide. The recent introduction of ‘electronic purses’—which carry digital cash, sometimes in several denominations at once—has taken money still further away from a world of borders.

With money thus largely removed from territorial into global space, much of contemporary finance consists of transborder activities, that is, transactions that cannot be easily fixed in specific countries. In banking, for example, in 1995 over $9 trillion of the world’s bank assets belonged to depositors non-resident in the country where the account was held and/or were denominated in a currency
issued outside that country. Globalization is also apparent on the lending side of the business. Since the 1970s it has become common for a loan to be issued in one country, denominated in the currency of a second country (or perhaps a basket of currencies of several countries), for a borrower in a third country, by a global bank or syndicate of banks with head offices in fourth and more countries.

Similar trends are apparent in securities and derivatives markets. In the case of the so-called ‘eurobond’, for example, the borrower, the syndicate of managers, the investors and the securities exchange on which the bond is listed are spread over multiple countries. Since its inception in 1963, the eurobond market has grown to become the second largest in the world (after the US domestic bond market). Many credits with shorter maturities (e.g. medium-term notes, commercial paper, repurchase agreements, etc.) have since the mid-1980s also taken a global form. Moreover, in an increasing number (if still small minority) of cases, companies are today issuing and trading their stock on securities exchanges in each of the world’s principal financial time zones. Transactions on the major securities and derivatives markets now mainly occur via telephone and computer terminal rather than on an open-outcry floor. In this situation the dealer can as well be located half a world away as next door to the exchange building. Indeed, none of the financial activities just listed can be pinned down to one country: each is conducted in the world as a single place.

Taking the various developments described above together, it is clear that globalization has altered the face of capitalism in big ways. The characters of markets, production, commodification, business institutions, money and finance have all markedly shifted. On the whole, the growth of transborder relations has allowed processes of surplus accumulation to extend more widely and deeply into the fabric of world affairs. Thanks largely to globalization, contemporary society is more thoroughly capitalist than ever. Indeed, the world economy of the 1990s generally manifests the greater competition and volatility that one would expect from an intensification of capitalism.

The state in globalizing capitalism

What has the globalizing capitalism described above implied for the state? The first point to emphasize is that not all states have been affected by and responded to transborder capitalism in the same way. Comments in the following paragraphs paint the picture in very broad strokes. Individual states have, of course, faced globalization with different levels and kinds of resources, different histories and cultures, different policy options and choices. Moreover, the globalization of capital has on the whole proceeded much further (in aggregate terms) in Australasia, East Asia, North America and western Europe than in the rest of Asia and Europe, Africa and Latin America. That said, contemporary globaliza-

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tion has left no country untouched, and even relatively small concentrations of transborder capital have had far-reaching effects in various countries of the South (as the debt crisis has demonstrated, for example).

Amid the diversity, several major themes in the relationship between global capital and the state in the late twentieth century do to one degree or another hold true for all countries. One is that the state survives and shows precious little sign to date of dissolving in the face of globalizing capital. Second, transborder capitalism has, together with other aspects of globalization, deprived contemporary states of sovereignty. Third, transborder capital has given present-day states certain supraterritorial constituents in addition to their traditional domestic citizenry. Fourth, transborder processes of surplus accumulation have arguably created major disincentives to warfare between states. Fifth, supraterritorial capitalism has in general encouraged contemporary states to reduce many social security provisions. Sixth, globalizing capital has promoted an unprecedented growth in multilateralism among states. Seventh, the foregoing trends in sum have created major difficulties for the realization of democracy through the state.

Persistence of the state

As noted at the start of this article, many commentators of the 1990s have presented the state as powerless and obsolete in the face of globalizing capital. Neither claim holds. At most one can argue that transborder marketing, production, money and finance have severely constrained the bargaining positions of smaller and weaker states, mainly in the South. Such states have thereby seen their subordinate position in world affairs reconfirmed, and often exacerbated. Yet nowhere but in Somalia has the entire state apparatus collapsed for any prolonged period, and the reasons in that case had little immediately to do with global capital.

On the contrary, across the world the state is, after several decades of accelerated globalization, in most cases larger and more entrenched in social relations than ever. Most states—including those in which neoliberal governments have ostensibly been committed to shrinking the public sector—have in the late twentieth century increased their payroll, budget, and scope of regulation. Contemporary states have staged a general retreat only with respect to ownership of means of production. However, shrinkage in terms of privatizations (whose total value has run to hundreds of billions of dollars worldwide since the mid-1980s) has usually been more than cancelled out by state expansion in other respects. For the moment there is—contrary to the much-publicized pronouncements of some—little indication that transborder capital and the state form a contradiction, and every sign that they are complementary. Indeed, states have played an indispensable enabling role in the globalization of capital.33 Contrary to liberalist presumptions, every market requires a frame-

work of rules, and states have created much of the regulatory environment in which transborder capital has thrived. For example, governments have facilitated global firms' operations and profits with suitably constructed property guarantees, investment codes, currency regulations, tax regimes, labour laws and police protection. States have also provided much of the regulatory architecture for global finance by *inter alia* removing exchange controls, passing legislation for offshore facilities, permitting externally based banks and securities firms to set up operations, allowing non-resident ownership of bonds and equities, and so on. In short, a great deal of globalization would not unfold—or would occur more slowly and ponderously—if states did not sponsor the process. Moreover, other institutions (e.g. business associations and suprastate bodies like the World Trade Organization) have to date not developed sufficiently far to assume all—or even most—of these regulatory functions.

The end of sovereignty

The persistence of the state does not imply the immutability of the state, however. For one thing, while the state has retained pivotal significance in globalizing capitalism, it has lost its former core attribute of sovereignty. Prior to the contemporary period of accelerated globalization, governance in the world—and, at that time, more distinctly *international*—system was constructed mainly around the principle of sovereign statehood. Sovereignty accorded each state supreme, comprehensive and exclusive rule over its territorial jurisdiction. In other words, sovereign states faced no higher authority, they governed all areas of social life, and they did not share their authority either with other states or with other centres of governance. To be sure, the principle of state sovereignty was sometimes violated in practice; however, in pre-global circumstances a state could, with a strengthened apparatus, graduate from mere legal sovereignty to positive sovereignty.

Owing largely to the growth of transborder capital, sovereignty in the traditional understanding of the word has in the late twentieth century become wholly impracticable. Indeed, most new states (established during the period of accelerating globalization) have never enjoyed sovereignty except in name. Sovereign statehood depends on territorialism, that is, on a world where events occur at fixed locations either within a territorial jurisdiction or at designated points across tightly patrolled borders. Yet global processes like electronic money and transborder manufacturing chains cannot be fixed in a single territorial unit over which a state might exercise supreme and exclusive jurisdiction. True, government leaders in many countries continue regularly to speak of 'defending sovereignty'; however, sovereignty is no longer in place to defend. Contemporary appeals to 'preserve sovereignty' generally refer not (according to the traditional definition) to the assertion of absolute, comprehensive and unilateral state authority, but (far more modestly) to the retention of state influence in a given area of regulation.
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In particular, supraterritorial capitalism has cost contemporary states one of the principal marks of sovereignty: namely, complete and exclusive control of the national currency and associated financial markets. For example, globally circulating monies have greatly complicated a state’s management of its money supply, exchange rates and interest levels. With volumes on the world’s wholesale foreign exchange markets running at $1,230 billion per day in 1995, even the most powerful states cannot singly maintain their target exchange rates. Meanwhile, global banking has offered ample scope for money laundering, tax evasion and reckless lending. Indeed, laundered money, which today moves as much as $500 billion per annum through banks in the United States alone, has financed mafia-type organizations that have grown to rival the state in certain districts of Brazil, China, Colombia, Italy, Pakistan, Russia, and Thailand. Likewise, eurobonds lie beyond the regulatory authority of the state in whose currency they are denominated. Transborder equity listings avoid supervision by the state in which the company headquarters is located. Trillions of dollars in global derivatives business, too, operate in relative detachment from territorial jurisdiction. Indeed, few government regulators are close to understanding the ‘rocket science’ of the more complex derivatives instruments. On the whole, the power of global finance capital is such that governments have felt constrained to appease the markets with insistently applied policies to lower inflation and public sector deficits—often with painful consequences for weaker sectors of the population.

More tangible forms of global capital also readily override state sovereignty. For example, transborder manufacturing and trading companies regularly frustrate tax collectors through transfer pricing and offshore corporate registration. These firms can also with relative ease relocate production facilities and sales outlets to other jurisdictions if they find a particular state’s regulations overly burdensome. Usually this threat alone is sufficient to make a state amenable to, inter alia, privatization and liberalization. Thus governments have not pursued ‘deregulation’ or flocked to the WTO as a result of sovereign initiative, but because (rightly or wrongly) they assume such steps to be indispensable to jobs creation, technology transfer and general economic prosperity in a globalizing world.

Sovereignty has also disappeared under globalizing capitalism in so far as contemporary states have lost the capacity for the unilateral exercise of comprehensive macroeconomic policy. As will be elaborated below, this surrender sometimes entails sharing macroeconomic tasks among states (e.g. through the Group of Seven). On other occasions it involves a transfer of certain responsibilities to regional and worldwide suprastate agencies. Several state constitutions in fact explicitly prescribe the cession of sovereignty in the interest of regional collaboration. (The Italian, Portuguese and Spanish constitutions contain such provisions in respect of the European Union. Latin American gov-

ernments participating in the Mercosur trade pact are currently exploring similar formulations.) Since 1978 the International Monetary Fund has, through so-called Article IV consultations, undertaken detailed authoritative reviews of the macroeconomic policies of its member governments. The IMF and World Bank have exercised even greater influence over a government’s monetary and fiscal policies when these agencies design and monitor a structural adjustment programme (SAP), as they have done at one time or another since the late 1970s for over 100 countries. The recently created World Trade Organization marks another striking growth of suprastate governance. For example, the WTO charter commits member states to alter their statutes and procedures to conform with transworld trade law, and in trade disputes a WTO ruling against a state is binding unless every member of the organization votes to overturn the judgement. In these ways and others, many decisions concerning the regulatory environment for capitalism now come to rather than from the state.

Formally speaking, of course, states have ‘voluntarily’ relinquished sovereignty in these instances; however, the forces of globalizing capital have heavily constrained them to make this ‘choice’. For example, weaker states in particular tend to need an IMF/World Bank stamp of approval before they will obtain flows of FDI or a rescheduling of their transborder debts, let alone new credits. Meanwhile, global business lobbies like the WEF and the Alliance for GATT Now, a pressure group of 285 firms spearheaded by Texas Instruments, have been among the strongest proponents of the WTO.

In other cases, transborder capital has encouraged substate authorities to assert independence from (or even against) their central, formerly sovereign, state. On various occasions several US states or substate authorities in Europe have competed with one another and/or with their respective central governments to attract global production facilities to their territory. In China, Guangdong, Xinjiang, Shandong, and Yunnan Provinces have similarly distanced themselves from Beijing in dealing with transborder companies. Tarstan has done the same vis-à-vis Moscow. In southern India the state of Andhra Pradesh is, in the context of a campaign to attract FDI, negotiating its own structural adjustment loan with the World Bank, separately from the central government in New Delhi.

Finally, states have also lost sovereign authority in the face of independent regulatory activities by business associations. The work of the ISMA and IASC in global financial markets has been mentioned above. Credit-rating agencies like Moody’s Investors Service and Standard & Poor’s, which today assess the credit worthiness of some 60 states each, can exercise a significant influence on macroeconomic policies. Various corporate foundations have taken far-

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reaching policy initiatives as well. Indeed, the Ford Foundation’s involvement in the drive for Namibian self-determination was so substantial that the organization’s president, Franklin Thomas, was feted alongside heads of state at the independence ceremonies in 1990.

Of course the end of state sovereignty does not mean the end of the state. As emphasized above, states have been highly instrumental in the globalization of capital. In addition, government legislation continues to affect, for example, the availability and price of global products, conditions for workers in global factories, and so on. States—again, especially the more powerful states—have also retained important influence in contemporary global finance. For instance, with astute and carefully timed interventions, state monetary authorities can curb and sometimes outwit currency speculators in the foreign exchange markets. Some treasuries have also employed sophisticated computer programmes (like Austrac in Australia) to pursue laundered money through transborder banking circuits. Since the 1980s the US government has pressed offshore banking centres in the Caribbean to accede to treaties of so-called ‘mutual legal assistance’ which allow officials in Washington to demand information about accounts in cases of suspected criminal activity. That said, however, even the best-endowed contemporary state does not have the means to assert sovereign control over global capitalist flows.

Supraterritorial constituencies

The end of sovereignty is also reflected in changes in the state’s constituents. The sovereign state of old almost exclusively represented and promoted so-called ‘domestic’ or ‘national’—read territorial—interests. Governments sought to advance the pursuits of their citizens (some circles perhaps more than others) in the wider world and to defend those clients against harmful so-called ‘external’ or ‘foreign’ intrusions. Occasionally a powerful state would act in the name of ‘international order’ or ‘civilization’, but such initiatives were comparatively rare and usually complemented the interests of domestic constituents. In contrast, under the influence of contemporary globalization, the state has become less a medium for holding a territorial line of defence of its ‘inside’ against its ‘outside’. With such a division now largely unsustainable, states tend to be an arena of collaboration and competition between territorial and supraterritorial interests.

In this environment even governments with strong protectionist inclinations (like those of Cuba and Myanmar, for instance) have tended to succumb to at least a partial accommodation of transborder capitalism. Indeed, in the late twentieth century many states are substantially dependent on global capital. For

example, transborder companies have frequently provided contemporary governments with important revenues, new technologies, military equipment, etc. Also, as noted above, many governments fear that, if they do not provide sufficiently appealing regulatory conditions, footloose global capital will desert them. Thus states across the world have rewritten investment codes, altered taxation laws and otherwise sought to satisfy the demands of their supraterritorial capitalist constituents. Some reductions of corporate tax rates have occurred in the context of scarcely disguised interstate tax competition for mobile business.

Some of the most far-reaching accommodations of global capital have come in the form of offshore arrangements. With offshore legislation a state offers transborder investors special tax reductions, regulation waivers, subsidies and rebates, secrecy guarantees and other inducements to locate their capitalist activity within its jurisdiction. Offshore financial centres date back to the interwar period, and the first export processing zone (EPZ) for offshore manufacture was created in the mid-1950s. However, the principal proliferation and growth of offshore surplus accumulation has occurred since the 1970s. There are now several hundred EPZs in some four score (especially low-wage) countries. In addition, offshore finance centres exist in more than 40 countries and host trillions of dollars' worth of bank deposits, investment funds, insurance schemes, 'flag-of-convenience' shipping lines, and so on. Even New York and Tokyo have been constrained to launch offshore facilities (in 1981 and 1986, respectively) in order to attract some of the global money that would otherwise flow to sites such as the Cayman Islands and Luxembourg.

In the light of the trends just described, the Director-General of UNCTAD has observed that, under forces of globalization, 'the role of government is progressively shifting towards providing an appropriate enabling environment for private enterprise.' More bluntly, Robert Cox has described contemporary states as 'transmission belts from the global to the national economic spheres'.

Cox exaggerates in so far as his metaphor could imply that the post-sovereign state has lost all sight of its 'internal', territorial constituency. In practice, contemporary states have often been a site of struggle between territorial and supraterritorial capital. For example, even the radically neoliberal Thatcher government prevaricated in the face of Nestlé's 1988 takeover of a hallmark 'British' institution, Rowntree Mackintosh. Many governments have sanctioned oligopolistic mergers and acquisitions among domestic firms in order that national capital might be strengthened in global markets. Especially in the more industrialized parts of the world, various states have responded to contemporary globalization with intensified trade protectionism in respect of certain domestic economic sectors. Likewise, in the name of guarding 'national interests', immigration controls

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have rarely been as tight as they are at the end of the twentieth century.

In short, it is not that globalization has brought an end to territorial constituencies, but that the clientele of government in the late twentieth century has become geographically more dispersed and fluid. As the example of Rowntree Mackintosh illustrates, the state's relationship to territorial as against global interests can be ambiguous and inconsistent, particularly when the two conflict.

New patterns of warfare

One by-product of the growth of transborder capitalist constituencies may be a reduction in interstate warfare. In this respect Hans-Henrik Holm and Georg Sørensen have recently described an emergence of 'postmodern states' between which warfare is unthinkable.43 Preparation for and engagement in armed struggle with other states for the control of territory was a major spur to the emergence of the modern state and has until recently remained one of its chief preoccupations. It is too early to draw definitive conclusions on this point, but the expansion of supraterritorial capitalist interests does seem to have generally reduced incentives for interstate war, particularly among those countries where globalization has proceeded the furthest. Interstate combat generally gives little advantage to—and is more likely positively to harm—most global circulation of capital.44 On the whole, contemporary states would rather compete to attract supraterritorial capital than compete to acquire territory.

At the same time, contemporary states have shown little disinclination to apply armed violence inwardly, against people who rank among their citizens. Most such operations have sought to repress substate ethnic movements or religious resurgence. In some cases global capital has helped to provoke such resistance with disruptions to local livelihoods (the example of Shell in Ogoniland comes to mind). In other instances, officially sanctioned armed force has been deployed against opposition to structural adjustment programmes (e.g. in Venezuela and Zambia) or to protect exploitative local elites who hold greater stakes in the Eurocurrency markets than in their purported 'homeland'. Hence the post-sovereign state has not abjured militarization so much as deployed armed force differently.


44 This hypothesis seems more convincing than the alternative claim that the decline of warfare relates to the liberal-democratic character of domestic politics: cf. M. Doyle, 'Liberalism and world politics', American Political Science Review 80, Dec. 1986, pp. 1151–69.
Contraction of the welfare state

The growth of suprateritorial capitalist constituencies also appears to have put significant downward pressures on state provision of social security. Although data have yet to be fully assembled and systematically analysed,45 much evidence points to links between the globalization of capital and the oft-proclaimed ‘crisis of the welfare state’.

The history of states during the first three-quarters of the twentieth century was in good part a story of growing cradle-to-grave public sector guarantees of nutrition, health care, housing, education, minimum income and other welfare needs. At the same time, regimes of progressive taxation were introduced to effect a substantial redistribution of wealth in many countries. A number of circumstances generated this expansion of social security programmes, notably the spread of universal suffrage, the Bolshevik challenge, and promises made by governing elites to suffering masses during the world wars and decolonization struggles.

The growing power of transborder capital has contributed significantly to a reversal of these trends during the last decades of the twentieth century. At a time when the financing of many social security systems was coming under strain in any case, the added pressure from global capital for reduced taxes and labour costs has driven many governments to cut back welfare programmes. In the cause of bolstering global competitiveness, governments across the planet have since 1980 rolled back social democracy and dismantled state socialism. Such shrinkages have been a cornerstone of many ‘adjustment’ packages in the South, ‘reform’ programmes in the North, and ‘transition’ policies in the former Soviet bloc. That said, the IMF and World Bank have in recent years begun to incorporate so-called ‘social safety nets’ with the aim of alleviating the worst pains of structural adjustment.

Certain parts of the welfare state have usually come under more pressure than others. Governments have generally implemented the greatest cuts in respect of sunk costs such as unemployment benefits, old-age pensions, and untied official development assistance. In comparison, education and training budgets have often been less affected, particularly in so far as such spending is believed to enhance a country’s position in global markets.

Yet almost no government anywhere today dares openly to pursue a programme of radical progressive redistribution of wealth. The world of the 1990s hosts many a would-be socialist who, as a statesperson facing global capitalism, has tempered or reversed programmes of redistribution. This roll call includes Blair in Britain, Murayama in Japan, Kok in the Netherlands, Kwasniewski in

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Poland, Mbeki in South Africa and Museveni in Uganda. Meanwhile, many other governments have unabashedly embraced neoliberalism, arguing that growing inequalities of wealth and income are unavoidable side-effects of increased economic efficiency and viable public finances.

Various sites of resistance have emerged in the past 20 years to challenge the generally reduced commitment of contemporary states to poverty alleviation, redistribution of wealth and associated guarantees of equal opportunity. The effectiveness of capital’s traditional counterpoint, the labour movement, has been severely hampered by the general failure of trade unions to develop adequate global networks. Instead, efforts to tame transborder capital have tended to come from development NGOs, certain pockets within the United Nations system, and some sections of consumer, environmentalist, religious and women’s movements.

Among global company executives and management consultants, too, a number of reformers have in the 1990s promoted the cause of ‘socially responsible business’ as a means to contribute to, if not guarantee, the general welfare. Today’s prospective managers take business ethics courses to obtain their MBAs, and financial markets offer a growing number of ethical investment schemes. However, critics disparage such initiatives from business as ‘band-aid’ measures and no substitute for more proactive regulation of transborder capital through a global public sector.

Unprecedented growth of multilateralism

As suggested above, under conditions of globalization the loss of sovereign statehood has often gone hand in hand with a growth of multilateral governance arrangements. Here states abandon unilateral approaches for collective regulation of various aspects of world affairs. Through joint interventions (some of them more institutionalized than others) governments have played key roles in variously facilitating, curbing and otherwise shaping supraterritorial capitalism.

The many instances of multilateralism include over 100 regional trading arrangements established since 1945, 29 in the period 1992–5 alone. Other important cases of collective economic management have developed among governments of the most industrialized and most deeply capitalist countries (‘the North’). Key institutions in this regard include the Bank for International Settlements (BIS), the Organization for Economic Cooperation and Development (OECD) and the Group of Seven (G7) consultations. By comparison, collective initiatives of the South such as the Group of 77, the Group of 15, and various producer cartels have (with the exception of OPEC in the 1970s) been far less influential. Finally, multilateralism has developed on a worldwide basis, for example in the aforementioned IMF, World Bank and

WTO as well as other United Nations agencies and the International Organization of Securities Commissions (IOSCO).

Multilateralism has been important as a means by which states have collectively fostered the globalization of capital. For example, regional trade areas and WTO initiatives have done much to create contexts in which transborder production and markets thrive. For their part, the secretariat and the 600 economists of the OECD have, especially since the 1980s, furthered the growth of global markets by promoting both liberalization and multilateral harmonization of technical standards and other rules. Meanwhile, IMF/World Bank-sponsored structural adjustment programmes have done much to open post-colonial and post-communist countries to global capital by prescribing relevant changes in tax regimes, investment codes, exchange controls, and so on. At the same time many SAPs have helped to save transborder banks from enormous debt defaults.

Yet multilateralism has not simply made governments still more abject servants of global business. These collective initiatives have also on various occasions given states (especially states of the North) opportunities to establish greater surveillance of and control over transborder processes of surplus accumulation. For example, the European Union has developed some restrictions on offshore arrangements and in 1989 issued the Charter of the Fundamental Social Rights of Workers (or Social Charter). Governments have used G7 consultations and IMF meetings to enhance their efforts to achieve targets related to inflation, employment, interest levels, money supply, foreign exchange rates, balance of payments and public spending. Likewise, central banks of the ASEAN countries have since 1995 developed joint mechanisms of foreign exchange stabilization to help ward off speculative assaults on their currencies. States have also over the past 20 years taken several significant initiatives towards collaborative regulation of global banking. For example, the Paris Club of financial officials has developed collective responses by states of the North to debt problems of the South. The Basle Committee on Banking Supervision, meeting since 1974 under the auspices of the BIS, has developed principles for collaborative supervision of transworld banking. Efforts are also under way through the Basle Committee and the Offshore Group of Banking Supervisors (formed in 1980) to introduce a global code on bank failures. Meanwhile the IOSCO and the Basle Committee have in the mid-1990s taken some modest steps to gain greater regulatory purchase on transborder securities and derivatives markets.

Note, of course, that states have had to abandon the pretence of sovereignty—i.e. supreme authority and unilateral initiative—in order to acquire this greater (multilateral) initiative vis-à-vis transborder markets. To repeat, too, possibilities for joint controls in globalizing capitalism have thus far been available.

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mainly to states of the North. To this extent multilateralism has reinforced the subordination of the South. In addition, states have thus far done little to exploit the potential of multilateralism as a means towards achieving greater distributive justice.

Blocks to democracy

As a number of remarks above have intimated, post-sovereign statehood involves enormous problems for democracy. In the old territorialized world, sovereignty could—when it was invested in a country’s populace through referenda and representative and accountable institutions—notionally provide a framework for democratic governance. The people could then hope to control the state, and the state would govern social relations in their name. Although in practice this formula often had pitfalls, it was (provided that one accepted a liberal conception of democracy) realizable in principle.

By dissolving sovereign statehood, globalizing capitalism has made this traditional model of democracy impracticable. Transborder production, markets, monies and business associations readily evade most democratic controls that might be attempted through a state. Moreover, no mechanisms have been devised thus far to guarantee transparency, open debate and accountability in relationships between states and their supraterritorial constituents. Meanwhile, both the widespread inward application of armed violence by governments and the pervasive freezes on, if not real cuts in, public social expenditures suggest that contemporary states are having severe difficulties in meeting the demands of significant proportions of their territorial constituents.

An answer to such problems might lie in a democratization of multilateralism; however, few advances have yet been achieved in this respect. Certainly it is not tenable to maintain that an aggregation of democratic states produces a democratic multilateralism. For example, the G7 do not consult the wider world whose circumstances their decisions can deeply affect. Few citizens are aware even of the existence of the BIS and IOSCO, where technocracy veiled in secrecy leaves little space for democracy. Although the World Bank, WTO and IMF have taken some initiatives in recent years to appeal directly to publics in their client countries, few signs have yet appeared of a full-scale dialogue in which these global institutions learn from as well as educate their constituents. In any case, many of the so-called ‘NGOs’ or ‘civil society’ groups who engage in these encounters have a self-selected and highly unrepresentative membership, secret financial arrangements and weak (if any) formal channels of accountability with those for whom they purport to speak. Exceptionally, two regional trade organizations, the European Union and the Central American Common Market, have a parliament directly elected by universal suffrage. Yet restricted competences, low voter turnouts, severely limited media coverage, outdated syllabuses in schools and universities, etc., have so far considerably frustrated the democratizing potential of these rare initiatives.
Conclusion

The preceding discussion has, one hopes, clearly demonstrated that notions of ‘globalization’ can be more than an advertiser’s slogan, a consultant’s gimmick or an academic’s jargon. When conceived of as the rise of supraterritoriality, the concept of globalization offers distinctive and important insights into continuity and change in contemporary world affairs. With the spread of transworld relations, distance and borders cease to exert significant constraints on many circumstances of social life. The present article has explored one of the key questions raised by this trend: namely, how the growth of supraterritorial space has altered capitalism in general, and the role of the state within capitalism in particular.

To recapitulate, capitalism has provided some of the main spurs to and has figured centrally in some of the chief impacts of globalization. With the rise of supraterritoriality, much surplus accumulation has come to occur through the sale of global articles whose markets develop largely irrespective of distances and borders. In transborder production processes, inputs are sourced pretty well anywhere in the world. The growth of supraterritorial production and markets has been achieved *inter alia* through a proliferation of global business organizations: companies, strategic alliances and corporate lobbies whose networks transcend borders. The emergence of global capitalism has prompted many mergers and acquisitions, a trend that has increased concentration in many industries both within countries and on a world scale. Globalization has also brought a major delinkage of money and financial instruments from territory and has created major new spheres of accumulation: telecommunications, information technology, electronic finance, etc.

These various developments have had far-reaching implications for contemporary states. Contrary to many assertions, global markets have not erased the state. Instead, states have developed strong relationships of mutual dependence and support with other agents of global capitalism. That said, these adjustments have yielded a different kind of state. Largely owing to globalizing capital, states of the late twentieth century have on the whole lost sovereignty, acquired supraterritorial constituents, retreated from interstate warfare (for the moment), frozen or reduced social security provisions, multiplied multilateral governance arrangements and lost considerable democratic potential.

The last of these observations provides an important starting point for further critical investigation. Contemporary globalizing capital presents a challenge not to the survival of states, but to the realization of democracy. Transborder processes of surplus accumulation have to date generally incorporated the state but marginalized democracy. The obvious question to ask is whether growing inequality and declining democracy in the contemporary era of globalization are not connected, and whether more democratic global governance and greater global distributive justice could not go hand in hand towards a more equitable future.