Economic Globalisation and the Nation State

The transformation of political power?

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What is the extent of globalisation in the late 1990s? And what are its effects on politics?

For all the voluminous output of the last decade or so, the debate over globalisation shakes down, pretty much, into two schools of thought: hyper and sceptics. Hyper-globalisers argue that we now live in a world in which social processes operate predominantly at a global scale. National economies, polities and cultures are immersed in a sea of global flows. As a consequence, significant national differences are being eroded and a homogeneous global economy and culture is emerging; the sovereignty and autonomy of nation-states have been radically reduced. Such claims have provided tempting targets for the more sceptically minded. Casual empirical inspection reveals that for all the increases in global flows of trade and investment, the majority of economic and social
activity continues to occur on a more restricted spatial scale. Historical evidence suggests that contemporary forms of international economic and social interaction may not be unprecedented. It is not at all clear that it is all over for nation states and nationalism.

How has this rather academic debate about globalisation influenced politicians in the West? Neo-liberals welcome the emergence of truly open global markets, celebrate their efficiency and delight in the corresponding diminution of an essentially malign state power. Mainstream Social and Christian Democrats tend to accept the globalisation thesis and restrict themselves to trying to initiate and coordinate the technological, infrastructural and training policies which ensure that a nation remains internationally competitive and attractive to capital. In Western Europe they are among the leading advocates of European economic and monetary union in which pooled sovereignty is expected to be rewarded with a generalised return of power to political institutions rather than markets. Many of those on the left of social democracy argue that globalisation is an ideological fig-leaf for a process in which governments have willingly passed power from the democratically legitimised sphere of politics to the unaccountable realm of the market. A similar view can be heard from conservative nationalists of various kinds: Gaullists in France, Buchanan and Perot in America, for example, have argued that an economic defence of the nation should be allied to a cultural politics of fervent nationalism. So who, if anyone, is right? Is the contemporary world economy really something new? And what are the implications of this for state power and democratic politics? What actually is globalisation anyway?

What is globalisation?
Globalisation describes growing global interconnectedness: a stretching of social relations across space to the point where they are transcontinental or inter-regional, such that day to day activities in one part of the globe are increasingly enmeshed with events happening on the other side. Globalisation is not an end point, it is a process. It does not just apply to economic activity but to the spheres of politics, culture, law and military affairs. Each form of globalisation has its own distinctive logic, dynamics and geography in different historical periods. One cannot read off a general account of globalisation from any one of them. But how can we describe these stretched social relations? We can
distinguish between different historical forms of globalisation in a number of ways: the geographical extensiveness of networks and flows - how much of the globe these relations and social flows traverse; the intensity of these flows and interactions relative to more spatially limited interactions; the degree to which these flows and interactions impact upon the policies and power of national and local actors and institutions; and the degree to which global networks have acquired an entrenched infrastructure of interaction (telecommunications, transport, legal frameworks) and have been institutionalised.¹

Obviously not all social relations have reached global proportions: to talk of a 'global age' or 'global civilisation' is sheer hyperbole. In any case, the political power that arises from state institutions has always been territorially delimited, although it is only with the advent of nation states that the external reach of legitimate authority has been tightly circumscribed by internationally agreed and internally determined and policed borders. As such, global flows run across the territorially delimited networks of power that emanate from nation states. Networks of economic and cultural interaction have never neatly corresponded to the political space of states, be they city states, nation states or imperial states. Nor have they overlapped and interacted with national patterns and networks in uniform ways. States have always been constrained by, and had to cope with, external forces and spatially extensive networks of economic, military and cultural power. Moreover, while nation states do claim the sovereign right to legislate independently for, and rule over, a given territory and people, the extent of that claim has rarely, if ever, actually corresponded to the real capacities of states to determine autonomously the character of national economic policy or to implement it successfully. So what, if anything, is new about contemporary globalisation? We explore below the historically distinctive features of contemporary forms of economic globalisation in three areas - trade, finance and multinational companies.²

1. It is also important to note the patterns of hierarchy and unevenness within these networks, for access to global networks and sensitivity to their impacts are radically unequal. We address these matters in, D.Goldblatt, D.Held, A.McGrew and J.Perraton (forthcoming) Global blows, Global Transformations: Concepts, Arguments and Evidence, Polity, Cambridge.

2. Other central forms of globalisation - from the environment to law and security questions - will be left aside here. We examine these matters in Global Flows, Global Transformations.
Soundings

Trade
Trade has always flowed across borders, civilisations and states, binding economic fortunes together as well acting as a conduit for ideas, technologies and social practices. The pre-modern civilisations of Latin Europe and Islam contained extensive trading networks that cut across political boundaries of all sorts. Islamic expansion into South East Asia and European expansion from the sixteenth century onwards created global and cross-civilisational loops of exchange. However, the geographical extensiveness of trade was not matched by a social or economic intensiveness. At the start of the nineteenth century, the best estimates of global exports as a percentage of global output suggest a figure of only 1 or 2 per cent. It was the nineteenth century that saw international trade flourish. Geographically it grew between the industrialised nations as well as flowing under imperial auspices between metropolitan centres and underdeveloped peripheries. For developed economies the average export-to-GDP ratio rose to around 11 per cent in this era and for individual trading nations, especially in Europe, the ratio was much higher. The First World War and the inter-war depression saw a collapse in international trade, the erection of substantial trade tariffs, imperial trading blocs and other import restrictions. Thus the post-1945 era began with a much less extensive and less intensive trading order, legally more closed and infrastructurally more depleted, than fifty years earlier.

However, since 1945 a very extensive trading system has emerged. Statistical comparison suggests that almost all nations are trading with a larger number of other nations and that while trade within regions has climbed this has been complementary to and supportive of more extensive global links. While the majority of trade occurs between OECD states, this is changing fast. Industrialising economies in East Asia and Latin America are taking a bigger share of world trade; the collapse of Communism has brought a swathe of countries into the global trading system; liberalisation in China, India and other developing countries looks set to expand trading relations more extensively than ever before. The growing transport and communications

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infrastructure of contemporary trade, has diminished the costs and uncertainties of exchange and reduced the investment required to enter foreign markets. The legal infrastructure of this system, set by GATT and its successor the WTO, has created a system which is more open than previous systems; and tariffs are significantly lower. Despite protectionist rumblings, the use of non-tariff barriers to restrict trade, and a multiplication of regional trading agreements, trade continues to grow faster than global output.

International trade is now worth around $5 trillion a year which adds up to about 20 per cent of global output. For individual Western economies, the ratio of trade-to-GDP regained nineteenth century gold standard levels by the early 1970s and has now surpassed them, reaching at least around 30-40 per cent of output and in some cases much higher. The US ratio remains comparatively low but it has evolved from being a virtually autarchic economy to a reasonably open one in the last twenty years. In addition, it should be noted that much of the output growth of the last fifty years is accounted for by government expenditure which is rarely traded. If comparisons are made on the basis of GDP minus government expenditure, as a proxy for tradeable GDP, then the intensity of contemporary export output ratios for the private sector in national economies comfortably exceeds that of the last century.

International trade has extended beyond primary' and capital goods to all forms of manufacture and to many services as well. While previously there was almost negligible trade in services, it now constitutes around 20 per cent of international trade and acts as a significant conduit for the diffusion of cultural products, icons and practices. As such, few economic sectors are completely shielded from competition in domestic markets; most are dependent on exports for profitability or foreign imports for key plant or components. The imported content of manufactured output rose between 1899 and 1985 from 16 per cent to 29 per cent in the UK, from 3 per cent to 24 per cent in the USA, and from 8 per cent to 46 per cent in Sweden. For OECD countries, except Japan, the majority of trade is now intra-industry, entailing the exchange of similar products. This trade has transformed consumer industries so that many firms now sell to international rather to national markets. Much of the intra-industry trade is

accounted for by intra-firm trade as components and semi-finished manufactures move between production sites in different parts of the world.

Contemporary international trade is therefore more extensive, if still uneven, than during the late nineteenth century. While it exhibits regional patterns, these are complementary to growing global interaction. Its intensity relative to global and national output is greater, leading to fiercer international competition in domestic and foreign markets for national economies and firms in most sectors of economic activity. Finally, contemporary international trade is facilitated by a more institutionally entrenched and technologically sophisticated legal and communications infrastructure than in any previous epoch. However, this does not constitute a set of perfectly open global markets; intra-firm trade introduces significant deviations from the textbook model of global competitive markets.

Finance capital
The movement of finance across political borders has a long history. Early forms of international banking and insurance were central to the growth of international trade. International loans helped keep the states of early modern Europe at war for centuries. The equity markets of London and Amsterdam were closely integrated in the eighteenth century. The clearest analogue of today's system of global financial flows was that of the nineteenth century gold standard era. Established and organised under the auspices of British imperial hegemony, the value of national currencies and thus the volume of money in circulation were tied in principle to the value of gold. If a country ran a trade deficit, gold would flow out, the money supply would fall, and this reduced demand for imports while also reducing the price of domestically produced goods so that the country could become competitive again. The reverse process occurred when a country ran a surplus. However, in practice exposure to the strictures of the gold standard was mitigated by defensive and protectionist trade policies, while monetary adjustment was far from automatic. The richer nations often ran large surpluses and some emerging economies large deficits, but high levels of foreign investment allowed this to persist without straining the gold standard system. In addition, there were huge migratory flows of unemployed labour from Europe to expanding economies in the Americas. This certainly relieved some of the pressures of adjustment.

Much foreign investment involved states raising capital on the international
markets by issuing bonds. In the 1920s over 50 states were issuing bonds on Wall Street, a figure that collapsed in the 1930s and remained low well into the 1980s. Viewed in this perspective, the financial dislocation of the inter-war years, which saw the collapse of international financial transactions, and the Bretton Woods system of the post-war era, which combined an international system of fixed exchange rates with strict national controls on capital movements and was only fully operational for thirteen years, are the exceptions in a longer history of open and extensive capital flows.

The Bretton Woods system was compromised at an early stage. In the 1960s national capital controls were steadily evaded through growing Euro-currency markets in which national currencies, deposits and assets were traded in offshore locations. International bank lending was revitalised by the recycling of petrodollars that followed the OPEC oil price hikes. Evasion of national capital controls, aided by new telecommunication technologies and combined with a political revaluation of the virtues of free international capital movement, led to the steady dismantling of capital controls and a loosening of the defensive regulation of national financial markets: in the late 1970s in the US and Canada, in the early 1980s in Japan, Australasia and the UK, and the rest of Western Europe in the late 1980s and early 1990s, partly in response to the provisions of the Single European Market. In the mid-1990s cautious liberalisation continues in many developing economies and in Eastern Europe.

What is the contemporary scale of global financial flows? Foreign exchange comes closest to the model of a perfect open global market, with almost instantaneous and costless electronic transactions across borders. Daily turnover has climbed from around $10 billion a day in the early 1970s to around $50 billion in the 1980s and to the astronomical $1 trillion a day in the 1990s. The ratio of foreign exchange turnover to world trade has climbed from 10:1 in the early 1980s to over 60:1 today. The most recent estimates of turnover from the Bank of International Settlements suggest a climb to over $12 trillion a day.8 Against this, the entire foreign reserves of the OECD

8. BIS, Annual Reports, Bank of International Settlements, Geneva various years.
are a mere $650 billion. Alongside these markets international bank loans grew at a rate of 12 per cent a year in the 1980s. Annual international lending has climbed from negligible levels in the early 1960s and a mere $20 billion a year in the 1970s to 10 times that level in the 1990s. The outstanding net stock of loans has risen to around $4.6 trillion. Translated into a percentage of world output, the net stock of international loans has risen from less than 1 per cent in the 1960s to over 16 per cent in the 1990s. This rising tide of international lending is reflected in the level of foreign assets and deposits in national banking systems, the internationalisation of banks themselves and the increasing penetration of foreign owned banks in domestic money, equity and security markets.

A huge increase in Western governments' borrowing has boosted the international bond markets. Annual issues of international bonds now comprise over 70 per cent of the international capital markets and the cumulative value of the stock of bonds now exceeds $2.4 trillion. Annual issues have risen from less than $20 billion in the early 1970s to over $300 billion in the 1990s. Furthermore, the percentage of government bonds held by foreigners has risen across the West in the 1980s and early 1990s. In the cases of Britain and Germany, the rise has been substantial, from around 10 per cent to 20 per cent. In France, the rise has been dramatic, from less than 1 per cent to 45 per cent.¹⁰

Both the international issue of equities and the cross-border trading of equities has steadily risen through the 1980s and 1990s driven by privatisation programmes and multinational expansion. International issues in 1995 were $45.6 billion. In 1996 cross-border sales reached around $125 billion. As a consequence, there has been a marked increase in the foreign composition of pension fund and insurance company holdings and a diversification of the national markets and assets drawn upon. Over the last decade foreign holdings amongst UK companies rose from 10 per cent to 20 per cent while in the more insular Japanese and American sectors the increase was even sharper from less than 1 per cent to around 6 per cent and 10 per cent respectively.¹¹

Although international bank lending was the dominant element of

international capital markets in the 1960s, it now constitutes a much smaller element of international financial transactions. Bond and equity markets are also dwarfed by the emergence of derivative markets. The demand for assets that allowed hedging against risks and market volatility, combined with technical innovations and intense competition amongst financial institutions, encouraged the growth of international derivatives markets. The price of these financial assets is based on, or derivative of, movements in the value of other assets - bonds, currencies, stock market composites, and interest rates. The value of existing contracts in these complex 'products' has risen to over $25 trillion from less than a $1 trillion in the early 1980s, often trading on highly volatile markets. The jury remains out on the degree of instability that these markets might inject into the global financial system - but they are certainly capable of wiping out the most venerable financial institutions.

Compared to the gold standard era or the early Bretton Woods system, the contemporary globalisation of finance capital is more extensive and intensive than any other period. More currencies and more types of asset are traded more frequently at greater speed and in greater volumes than in earlier eras. The infrastructure of exchange is more institutionalised and more advanced technologically. The sheer weight of international capital movements relative to global and national output and trade is unique. The range of financial instruments, domestic financial markets and domestic financial institutions engaged with international transactions is greater and their enmeshment profound.

MNCs and FDI
Multinational corporations are the linchpins of the contemporary global economy. This, if nothing else, distinguishes the current epoch from the gold standard era. The late nineteenth and early twentieth centuries certainly witnessed very high levels of international investment and possessed complex, international corporations - some of considerable antiquity - coordinating finance and trade. However, contemporary MNCs, while falling short of the footloose global actors in neo-liberal accounts of globalisation, are quantitatively and qualitatively more extensive in their operations, more intensive in their importance and more significant as economic and political actors than their predecessors. Around 20,000 MNCs account for between a quarter and a third
of global output, 70 per cent of international trade (a significant part of which is intra-firm trade), and they dominate foreign direct investment (FDI) - investment which acquires operational power over corporations rather than the veto power of portfolio and equity investments. MNCs also account for a very large part of international technology transfer. This occurs as a by-product of FDI and more directly through joint ventures and alliances, international patenting and exploitation, licensing and know-how agreements. MNCs are both customers and active participants in international financial markets. Their demands stimulated the development of euro-currency markets and the multinationalisation of banks. They also issue international bonds and equities. MNCs are significant purchasers of foreign exchange and derivative products designed to hedge risks. When cash flow is high they may be significant speculators in financial markets.

Although there were significant FDI flows before the First World War, FDI flows relative to economic activity are comparable, if not higher, today. Estimates suggest a ratio of all international investment flows to GDP of around 5-7 per cent for the UK before 1914. Data is peculiarly untrustworthy in this area as records do not separate out FDI from other forms of investment and definitions of direct investment have varied wildly between national statistical agencies. Nonetheless, a bench-mark figure can be generated from the best available estimate on the composition of those capital flows which suggests that 35 per cent of that investment was controlled by MNCs, the rest being held by scattered portfolio investors. This gives a proxy ratio for outward flows of FDI to GDP of around 1.5 - 2.5 per cent. Given that UK overseas investments accounted for around half of all global investments, no country would have a figure higher than this and most much lower. Along with the UK, Germany, France and America were the main investors while the recipients shifted from the US itself to a number of developing and colonial economies who received two-thirds of the total capital.

After the First World War, depression and international disruption terminated

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European investments, but American companies like General Electric and Ford established significant European plants. Since 1945 growth has come in a number of waves, the origins, destinations, and forms of which have varied. American expansion in the 1950s focused on European manufacturing, factories in Latin America and global oil industry investments. In the 1960s and early 1970s investments began to flow from Europe, particularly from certain sectors - like textiles, clothing and footwear - which avidly sought low cost labour. This was followed by explosive growth in FDI in the 1980s led by Japanese and European firms seeking global economies of scale, access to international technology and a foothold in the markets of the US and other European economies. In the 1990s there has been a slower growth of investment but a greater geographical diversity of investors and hosts. MNCs have emerged in industrialising economies of East Asia, while capital has flowed to Eastern Europe and the Pacific Rim. What is the scale and geography of these flows?

The total stock of outward FDI grew from $67 billion in 1960 to $1.7 trillion in 1990. It now exceeds $2 trillion. Of that 70 per cent could be accounted for by just 6 countries (US, Japan, Germany, France, Netherlands, UK). During the 1980s boom in FDI, outward flows relative to GDP were in line with or surpassed UK rates before the First World War. In the peak years of the late 1980s the ratio of outward FDI to GDP in Germany and Japan was 1.6 per cent and 3.1 per cent respectively, while in Britain and Sweden peak outflows were over 4 per cent and 6 per cent of GDR. In terms of destination, around three quarters of current FDI is within the OECD. However, the early 1990s have seen a new wave of major investments into the hitherto closed economies of China and Eastern Europe, whilst a number of developing countries (India, Brazil, Mexico and Chile) have become both more open to FDI and more attractive locations for MNCs. Investment has, like trade, spread beyond primary and manufacturing industries into services as well - around a third to a half of inward and outward investment flows in the OECD are in the service sector.

Despite the growth of foreign direct investment, the global character of

MNCs described by hyper-globalisers has been challenged. Sceptics have argued: that MNCs are regionally rather than globally biased in their patterns of investment, trade and production; that a majority, in many cases a large majority, of assets, employment and sales remain located in the home nation; that core decision-making personnel, management culture, institutional ownership and highest value added production remain nationally concentrated. These claims need to be carefully evaluated.

Statistical indices of regional bias reveal only a slight regional preference in patterns of trade and investment, amongst MNCs from some countries. Alongside regional expansion there has been a pattern of global expansion and investment, albeit a pattern heavily concentrated on Europe, North America and East Asia. While the foreign percentage of MNC’s assets and outputs can be as low as 20 per cent in some sectors, there are many areas where it is much higher. In any case 20 per cent may be enough to have a significant effect on the fortunes and behaviour of a company. Facing a saturated domestic market and/or intense domestic competition, 20 per cent of sales may be the difference between overall profit and loss, 20 per cent of assets may be the key to achieving competitive economies of scale, 20 per cent of employment overseas may be the key to lower global unit costs that ensure survival. Unlike the nineteenth century, MNCs (both home based and overseas plants) now account for a much larger proportion of domestic employment, production and capital formation in advanced capitalist countries - figures that with some variation have risen throughout the 1980s and 1990s.

However, contrary to the hyper-globalisers, MNCs are not footloose, stateless, truly global operators. First, the sunk costs of investment, particularly in hi-tech manufacturing, are significant enough that regular relocation carries large economic penalties. Second, FDI is often undertaken to ensure local market presence, avoidance of non-tariff barriers and access to locally developed innovations; none of these can be achieved by footloose exit. Third, some domestic markets are just too big for any company to be able to walk away from. Finally, while a few corporations may approximate to the truly global company, systematically scouring the planet for improved rates of return, MNCs display a very wide variety of forms of international
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organisation and coordination. Measuring the presence (as the hyper-globalisers do) or the absence (as the sceptics do) of a single model of MNCs cannot be considered as proof for or against the economic globalisation of investment and production networks.

In conclusion, we can argue that the contemporary global economy differs from that of earlier epochs because MNCs play a much more central role today than they have done in the past. In particular they have established international networks of coordinated production that are historically unique, and have done so across a wider range of sectors than in the past. They have come to play a greater role in the operations of advanced economies than ever before; their actions and interests shape the flow, form and location of investment, the conduct of trade and the development of technologies.

Implications
This survey of contemporary economic globalisation suggests three things. First, to conceive of globalisation purely as the existence of open global markets, globally orientated consumers and global footloose corporations misconceives globalisation as an end-point rather than as a process, as a uni-dimensional rather than as a multi-dimensional phenomenon, and fails to capture the diversity and variety of global economic interactions. Second, while it is clear that the gold standard era witnessed a significant intensification of economic globalisation and that much of the post-war era has involved a process of catching-up, today’s global economic system overall is more extensive and intensive than in the gold standard era; it links national and global economies, markets and firms together more tightly; and it possesses a more entrenched infrastructure of interaction. Third, the precise geography of global economic flows and the hierarchies of relative power within them have shifted. So something has changed, but have these changes diminished the power of nation states. Answering this question requires a more sophisticated analysis of power than either hyper-globalisers or sceptics deploy. A number of points need to be made.

First, power is a relative concept. We need to focus on how globalisation shifts the balance of power between states and other actors. The balance of power and thus the relative autonomy of states varies according to the type of economic strategy they are pursuing and the actors and institutions beyond the
nation state that are involved. States are engaged with the global economy as direct market actors (for example, central bank operations in currency and bond markets); as legal and administrative regulators of markets both domestically and in the context of international economic institutions like WTO or the European single market; and, as taxing and spending agencies that both provide much of the infrastructure of global economic interactions and pick up the pieces of its effects in terms of welfare and public services. In this regard, the most important shift in power has been the historic expansion of exit options for capital in financial markets relative to national capital controls, national banking regulations and national investment strategies, and the sheer volume of privately held capital relative to national reserves. Exit options for corporations making direct investments have also expanded but less so. Nonetheless, the balance has shifted in favour of capital vis-a-vis both national governments and national labour movements who, whilst not powerless, must attend more closely to the economic and political requirements of financial markets and MNCs.

Second, it is rarely the case that globalisation has rendered any policy impossible or eradicated autonomy. Rather, it is more effective to look at these changes in terms of the shifting balance of costs and benefits of any given policy. National governments retain the capacity to invoke protectionist restrictions of various kinds on trade. However, the benefits of doing so have been reduced by the increasing dependence of national firms and markets on imported inputs and the costs of doing so have increased as states have become more tightly enmeshed in international free trade commitments with substantial retaliatory powers available to participants. Similarly, governments may choose to pursue fixed or managed exchange rate policies and, through central banks and legal regulations, retain the tools for doing so. However, the costs in interest rate terms of maintaining an exchange rate has climbed as the exit options available to capital have increased. The cost of choosing one's own interest rate are now considerable and include loss of control over the exchange rate, openness to market volatility and, given the shortage of reserves, acceptance of the international financial market's perception of the soundness of assets denominated in the national currency. At times these changes have pushed the costs of certain policies so high that they have become virtually inoperable. For example, expansionary macro-economic strategies may incur considerable costs in the form of high interest rates that
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are likely to make this path unsustainable over the medium term.

Third, power can be thought of in behavioural and structural terms. In the case of the former, power is actively and continuously executed by an individual agent in response to a particular policy. In the case of the latter, power is unconsciously and collectively executed as the unintended consequences of the sum of a multiplicity of actors directed and channelled by the rules, institutions and systems in which individual agents operate. The examples of labour, social and environmental regulation illustrate this. In behavioural terms, globalisation affects such policies as multinational corporations may actively resist their implementation, seek to water down their provisions or threaten to shift their investments. However, a much more powerful constraint upon the social regulation of the market is the emergence of global networks of free trade and competition in which the threat of corporations already using cheap foreign labour indirectly raises the perceived potential costs of instituting certain reforms.

Fourth, it rarely makes sense to think about state autonomy in terms of individual policies. Governments invariably, if often haphazardly, seek to implement economic strategies which deploy a complex mixture of policies. The market assessment of the credibility and sustainability of such policies varies between states and over time. While governments face considerable uncertainty over market responses, the absence of a sustained consensus on the 'rightness of policies' creates some room for manoeuvre for politicians if they can 'win the argument' with market makers. But there are limits to this. The impact of globalisation is often to render particular strategies or policy packages more problematic or less effective rather than simply to constrain or delimit individual policies. It has been argued that the globalisation of financial markets has rendered expansionary economic strategies involving high levels of government borrowing more and more problematic. This may be the case where governments seek finance to conduct a generalised reflation or to fund what markets perceive to be uncontrollable levels of welfare expenditure (Italian state pensions, for example). However, where borrowing is tied to tight fiscal policies, or in the case of the Reagan administration to massive rearmament programmes, then international financial markets appear more willing.

Fifth, economic globalisation undermines the domestic political coalitions which have traditionally underpinned progressive social and economic policies by profoundly altering the sectoral economic and political interests and the
relative economic and social power of social groups and classes. The dependence of an increasing number of firms on overseas markets and investments may diminish the pool of powerful supporters for protectionist policies. The growing importance of MNCs in funding research and development makes it impossible not to include their interests in the calculation of national technology policies. In this sense, globalisation transforms the political arena within which states have to operate; building domestic coalitions based on a shared national interest may become more difficult.

Thus, the overall impact of globalisation on the autonomy of nation states is more complex than both hyper-globalises and sceptics would allow. State autonomy has always been limited and constrained by global forces and international actors. However, it is reasonable to assert that states today do face a more complex array of global constraints and problems than hitherto. In addition, they must also face a wider range of international actors. They are more deeply enmeshed in global networks of interaction. Crucially, they have seen their own expansion in size and absolute power diminished by the relatively greater increases in the direct power, exit options and collective structural power of international actors and global forces.

The claims of hyper-globalisers and their sceptical critics miss much of what is distinctive about contemporary economic globalisation and its political consequences. Nation states still remain immensely powerful. Indeed, in the military domain they may be more powerful than ever before. Nation states certainly have access to huge economic resources, sophisticated bureaucracies and new technologies of information gathering and control. Yet globalisation is not a mere ideological construct; it has real and discernible material features. Why now, given (as the sceptics believe) a more limited intensification of globalisation, and given more enduringly powerful nation states (than the hyper-globalisers would allow), does the autonomy, democratic accountability and legitimacy of nation states seem so uncertain? Perhaps this is because for three or four decades Western nation states had just sufficient power, relative to domestic and global forces, that governments were able to deliver enough of their electoral programmes to secure their legitimacy. But it was always a fine call. It has only required the smallest shift in relative and structural power between states and markets, due to processes of globalisation, to demonstrate that the autonomy
of democratically elected governments has been, and is increasingly, constrained by sources of unelected and unaccountable power.

What does this mean for democratic politics? Neo-liberals will celebrate this power shift, for they never had any intention of bringing these forces within the scope of their deracinated conception of democracy. Conservative nationalists will not attempt to bring these forces within the rule of the nation state either. Despite claiming to represent the nation they have never been very concerned with letting the nation do any ruling. This leaves us with Social and Christian Democrats who, as the sceptics point out, are probably overcautious about their capacity for exerting greater political control over global forces. While a more robust national politics, the formation of institutions of geo-economic governance and strengthened supranational political institutions in Europe would constitute an attempt to swing the balance of power back from markets to states, it is far from clear that the proposals on the table will create arrangements which would be more accountable or democratic. And as the Greens are constantly reminding us, the voracious appetite of the global economy may consume us all before we have had a chance to do anything about it. Economic globalisation has not only shifted the balance of power between states and markets; it has also changed the stakes of the game.