

# Globalization, Culture and Society: The State as Place Amidst Shifting Spaces

DAVID CAMERON

*Department of Political Science  
University of Toronto*

JANICE GROSS STEIN

*Munk Centre for International Studies  
University of Toronto  
Toronto, Ontario*

La mondialisation rapproche les sociétés, tout en fragmentant et en transcendant les structures sociales auxquelles elle fait face. Le présent article avance les quatre arguments suivants. Premièrement, les incertitudes relatives à la vitesse et à la trajectoire des processus contemporains de mondialisation sont très grandes. Deuxièmement, la mondialisation est comme une fontaine alimentée par plusieurs sources. Il se peut que certaines se gorgent plus vite que d'autres et que d'autres encore se tarissent. Troisièmement, même si l'État demeure indispensable dans tous les scénarios imaginables, il doit remettre en question son mandat. Enfin, cet article présente quatre modèles stylisés d'États, chaque paire se trouvant décrite dans deux scénarios de mondialisation très différents. Les auteurs arrivent à la conclusion que l'État peut faire des choix stratégiques importants relativement aux ressources à investir dans l'économie, les questions sociales et la culture. La façon dont l'État répond à la croissance de la mondialisation aura des répercussions importantes sur sa capacité à réagir si la mondialisation échoue.

Globalization is the set of processes that connect societies, while fragmenting and transcending the social structures it confronts. This article advances four central arguments. First, the uncertainties in the pace and trajectory of contemporary processes of globalization are very large. Second, globalization is a layered process: some of the threads of globalization may thicken more quickly than others and others may thin out. Third, the state remains an indispensable institution, under virtually all foreseeable contingencies, but it does face new and powerful challenges to its core mandates. Finally, we sketch four stylized models of the state, each pair embedded in two very different narratives of globalization, and conclude that the state has the capacity and the opportunity to make important strategic choices about its economic, social, and cultural investments. How the state responds when globalization is intensifying will have a significant impact on its capacity to respond should globalization stumble.

---

## INTRODUCTION

Globalization is the set of processes that first connect and then integrate societies, fragmenting and transcending the traditional social structures they confront. Globalization is centuries old and has proceeded throughout history at an irregular pace and with uneven intensity. Economic and cultural globalization have accelerated again late in this century, after almost 50 years of regression. More and more, national economies are now integrated into a single global marketplace through trade, finance, production, and a dense web of international treaties and institutions.<sup>1</sup> More and more, cultural products with widely recognized icons are shared globally.

The speed and intensity of global connection and integration in the last two decades have provoked serious debate about their cultural and social consequences, and, in this context, deep concern about the continuing capacity of the state to provide social justice. In this article, we focus not on economic globalization, usually the principal subject of analysis, but rather on the cultural and social dimensions of global connection and integration.

For at least the last 200 years, the nation-state has been the dominant political force, and, in the post-war period in this century, the dominant economic force. Citizens in the industrialized world forged social contracts with their governments and held these governments accountable not only for their security, but also for their well-being. However, the continuing economic and political pre-eminence of the state is today no longer accepted conventional wisdom. Indeed, some argue that the state may be involuntarily retreating from its position of unchallenged control of the economic and political space within its territorial boundaries, with profound implications for the social contract with its citizens, for accountable governance, and more broadly, for configurations of political identity. The state, it is argued, may lose its pre-eminence as the principal focus of political identity and become one

among many, bidding for the loyalty of its members in a competitive marketplace.<sup>2</sup>

In the wake of globalization, control, although not authority, has moved up, down, and out from the state. It has migrated up to a thickening network of international institutions, some newly created and others newly strengthened. It has also leaked out to non-governmental organizations, multinational corporations, and international associations that work effectively outside, across, and through state borders. The reach of the state is being redefined in the face of global forces, and large areas of policy are no longer primarily within its control. As the reach of government has contracted, and the “democratic deficit” over policy has grown, local organizations, newly vibrant, often transparent, and directly accountable to their communities, are increasingly empowered. In federal countries, where the state’s sovereignty is constitutionally divided, this has often meant that sub-national governments fare better in the changing landscape than do their central governments.

As processes of globalization accelerate, the state, some argue, is increasingly “hollow,” because its borders no longer correspond broadly to the relevant economic, cultural, and social spaces.<sup>3</sup> As globalization proceeds, borders become more permeable and fluid, and identities multiply and reorder as structures of governance change. For a good part of this last century, the authoritative reach of the state overlapped almost entirely with the economic, cultural, and social spaces of its citizenry; cultural, social, and economic borders largely converged with the political. By the end of the century, however, the reach of the state has retreated from a portion of the economic and cultural spaces that are important to citizens, and is shrinking from some of the social and even the security spaces.<sup>4</sup> The disjunction is clear: political boundaries continue to remain largely fixed, while cultural and economic spaces are reconfiguring.<sup>5</sup> Mathematicians would represent this changing configuration as sets that overlap less and less. Some see a continuing retreat of the state in

the face of these changing configurations as both inevitable and irreversible, with disturbing consequences for national identities, legitimate and accountable governance, and the redress of social inequalities.

While we agree that globalization is having a profound impact on politics and society, we do not accept the proposition that the processes of globalization are inevitable. Nor do we accept the corollary argument that the state is largely hollowed out and increasingly irrelevant. In this article, we advance four central arguments:

1. *The uncertainties in the pace and trajectory of globalization are very large.* The future is contingent rather than determined. Even the parameters of future development are unknown. The processes of globalization are neither irreversible nor linear; rather there is a range of outcomes that are possible when we imagine the future.<sup>6</sup> Thinking about globalization needs to stretch to accommodate several possible futures.

2. *Globalization is a “layered” process.* Some of the threads of globalization may thicken more quickly than others, and, indeed, some may thin out.<sup>7</sup> It is highly unlikely, for example, that the connections among societies that have been facilitated by the revolution in information and communication technologies will be reversed, but the density of economic integration among societies could well be.

3. *The nation-state remains an indispensable institution,* under virtually all foreseeable contingencies. It is still the primary provider of social justice, and uniquely accountable to its citizens for their governance. The state will not continue to function, however, with its established roles and responsibilities unchanged from the last half century. The state does face new and powerful challenges to its core mandates and to its management of economic growth and development.

4. *The state has the capacity and the opportunity to make important strategic choices about what*

*kinds of economic, social, and cultural investments it will make.* These challenges will differ, depending in part on the pace and intensity of globalization, in part on the specific impact of globalization on a particular state and particular sectors, in part on the institutional capacity of the state, and, in part, on the quality of political leadership and the resilience and vibrancy of society.<sup>8</sup>

#### GLOBALIZATION: “REAL TIME” AND “VIRTUAL SPACE”

Globalization has been a long historical process, bumpy and uneven in its pace, at times reversing itself and at other times moving forward aggressively. Economic globalization, the connection of national economies through trade, finance, and production is indeed not new at all. Transportation, communication, and exchange among widely separated societies have grown in fits and starts over time.

Economic globalization peaked in the first decade of this century, and then reversed itself dramatically in the context of world war and depression. Throughout most of this century, there has been a marked retreat from economic globalization; only in the last 25 years has there been a return to the levels reached more than a hundred years ago.

- Labour is still less mobile than it was in the last century. Passports were then unnecessary and people moved freely across national borders in search of work, with no restraints. Immigration was generally easier, especially to North America, than it is today.<sup>9</sup>
- Trade is only now becoming as free as it was in the 1860s. Even after the recession of 1875 began in Europe, 95 percent of Germany’s imports were free of duty.
- Trade was as significant a component of the domestic economy as it is today. In the United

States, for example, exports were 7 percent of GNP in 1899; in 1999, they are 8 percent.

- Capital movements as a proportion of economic output are only now reaching the levels achieved in the 1880s.<sup>10</sup>
- In the nineteenth century, the dominant currency was not state controlled, but rather credit created by private commercial banks. The gold standard severely restricted national fiscal and monetary policy. In this century, states captured control through the creation of central banks and, after 1973, floating national currencies that enhanced state control over monetary and fiscal policy.<sup>11</sup> Only in the last decade has the global economy begun again to impose severe restraints on state action.

Only in the last three decades has the trend begun to reverse and approximate the levels of globalization reached last century. Some of what seems historically inevitable at the end of the twentieth century is indeed contingent and reversible, as evidence from the first half of the century attests.<sup>12</sup>

Contemporary processes of globalization include far more than the connection of national economies to a global marketplace. The globalization of production, largely through intra-firm trade, is more widespread and deeply rooted.<sup>13</sup> In its present stage, moreover, processes of globalization are cultural as well as economic, with deep social and political consequences. The revolution in information technologies now permits active communication in “real time” and the creation of virtual space, with shared icons and common discourses, across cultures and societies. Contemporary information technologies, developed in part by “outsiders” who rejected authoritative structures, create both significant new social and cultural opportunities and formidable new constraints.

We begin with a brief, contextual look at the global economy, paying particular attention to its

implications for state and society, and then examine the cultural dimensions and social consequences of globalization.

## THE GLOBAL ECONOMY

The current global economy, made possible in part by information technologies which enable information to reach markets at the speed of light, has exponentially expanded capital markets, trade, the mobility of factors of production, and investment opportunities. In the last three decades, international trade and foreign direct investment have been expanding proportionally far more quickly than domestic trade and investment.

In this phase of the global economy, there is an emphasis on knowledge and a deepening specialization of expertise. Knowledge has replaced other factors of production as the most important commodity. Unlike commodities that were important at earlier phases in the history of the international economy, knowledge is an infinitely renewable resource, only loosely related to geographic space. In the global knowledge economy, there is a growing “customization” of knowledge products and services that increasingly move through networks and other horizontal forms of organization. These lateral organizations are growing in importance compared to hierarchical, command-and-control structures.<sup>14</sup> These structures make monopoly and hierarchy more difficult, as information at times approaches the status of a public good. At its deepest level, the emergent knowledge-based global economy is non-territorial, less and less tied to political boundaries. Countervailing tendencies also exist: knowledge can be a source of competitive advantage as well, and the current state-led attempt to strengthen the international regime protecting intellectual property rights seeks to re-territorialize knowledge and convert it into a private good.<sup>15</sup>

The global knowledge economy has created significant wealth for those who are able to participate,

directly and indirectly, in its processes. At the same time as the scope and pace of globalization have increased, however, income inequalities have grown.<sup>16</sup> The links between globalization and income distribution, however, are deeply contested. Analysts argue that economic globalization has marginalized those who are geographically remote and cannot participate fully in international trade. Some analyses of inter-industry trade suggest that globalization marginalizes that part of the labour force in the developed world that does not have the literacy and the skills to participate, and disadvantages many of the highly skilled who remain in southern economies.<sup>17</sup> The United Nations Development Program makes the even stronger claim that the global economy is widening the gap between rich and poor nations.<sup>18</sup>

Others contest the important causal role of global trade and trace growing inequalities instead to the revolution in information technology and the differential skills needed to develop and use new technologies. Access to computer technology is highly skewed within and across societies: 26 percent of Americans use the World Wide Web, but only 3 percent of Russians, 0.2 percent of the population of Arab states, and 0.04 percent of South Asians do so. The United States has more computers than the rest of the world combined. An information-based system marginalizes those who are not skilled enough to access, understand, and convert information into knowledge, just as earlier globalization processes marginalized segments of society which could not exploit and innovate with new technologies. These growing inequalities strain the social fabrics encapsulated within national political boundaries.

The impact of the global economy on the national economy and on the state is similarly controversial. That national financial markets are weaker relative to global financial markets is now widely accepted. Globalization has also weakened national production as a natural economic space and, indirectly, leached control from the state.<sup>19</sup> State capacity to

wield monetary and fiscal policy to lever growth and control cyclical economic downturns has consequently diminished.

That state autonomy to manage monetary and fiscal policy has diminished is not in dispute, but the consequences of this diminution of state capacity are. Peter Drucker argues, for example, that the state will emerge from this enforced discipline more responsible, better able to resist organized domestic pressure groups, and, therefore, stronger.<sup>20</sup> Geoffrey Garrett acknowledges the impact of globalization in limiting the capacity of governments to run deficits, but finds that increased financial discipline has not had an appreciable impact on the size of government in OECD countries or, surprisingly, on convergence of fiscal policies.<sup>21</sup> David Held argues that the state has the capacity to reconstitute and transform itself to respond to the more active global agenda.<sup>22</sup>

Others contest this benign assessment of the impact of financial globalization on the state. There is, Tom Courchene argues, a growing mismatch between an increasingly globalized private sector and a public sector that continues to operate largely at the national level.<sup>23</sup> It is the public sector that has been traditionally responsible for social entitlements and for the reduction of gross disparities within national states. As economic decision-making migrates to global markets, it becomes more difficult for national governments to fulfill their traditional responsibilities to society. As state capacity diminishes, its ability to fulfill the social contract created with its citizens in the last four decades also diminishes.

If globalization is also contributing, directly or indirectly, to social inequality, a simultaneous reduction in the capacity of the state to meet its social obligations to its citizenry is a serious fault line in the future trajectory of the state and its capacity to meet the expectations of its citizens for social justice. In this sense, existing understandings of the social contract are weakening and new understandings will

have to be constructed. How this reconstruction of the social contract should be accomplished is a central challenge of globalization.

Some suggest that the emerging role for the state is that of a regulator and referee. The state sets the rules of the game, and then allows an ever increasing number of social actors to join together to reframe the contract. This argument is problematic for several reasons. Most relevant here is its neglect of the radically differential capacity of the various social sectors to speak and act within the newly emerging socio-political order.

#### THE GLOBAL CITIZEN IN A GLOBAL CULTURE

Processes of globalization have been fueled by faster and cheaper technologies of transportation, information, and communication. These technologies have direct consequences for the construction of social and cultural spaces, at times unmediated by the state. Here too, however, these changes raise important, indeed fundamental, political questions for the state.

In a paper prepared for the Project on Trends, Lloyd Wong focuses on the transnationalism of identity, diaspora communities, and the changing conceptions of citizenship that must be constructed to fit with transnational or global identities.<sup>24</sup> More accessible transportation has greatly increased the mobility of people, who migrate far more easily, although not always under the protection of the law, in search of economic opportunity. Immigration and emigration are growing again world wide, after a hiatus of 50 years, as people's horizons of opportunity are broadened. State-based conceptions of citizenship and community fit poorly with evolving transnational identities as people move back and forth between societies. In a global society, as Wong demonstrates, "transilient" citizens become critical nodes in a thickening network of interconnections. They are also important resources as they move in and out of Canada, taking the Canadian "brand" with

them back and forth, to and from their original homes. The current tightening of citizenship policy, Wong concludes, works directly against the transnationalization of identities and the transiliency of citizens in a global society.

The information revolution and the thickening global economy are also making possible a nascent global culture. We understand culture as the pattern of shared values that give meaning to individual and collective action embedded within a collective context.<sup>25</sup> Culture is the repository of shared understandings within a community that facilitate collective action. These shared understandings are intimately linked to identity: they reciprocally reinforce one another. In the last several hundred years, it has been commonly assumed that culture has helped to define the nation, and that the state gives formal expression to culture collectively defined and experienced. Through this connection came the shorthand concepts of "nation-state" and "national culture."

Globalization works to transcend and even, at times, to supercede national cultures. Its processes create a common cultural environment where everyone who is "connected" has access to the same messages, the same icons, and the same calligraphy, produced and disseminated through the tightly controlled transnational corporate networks of television and film. Many of these networks are currently headquartered in the United States and their products increasingly dominate global cultural markets. These products no more reflect the diversity of American culture than they do the diversity of others' cultures. For the first time, global cultural production is mass-based rather than elite-based.<sup>26</sup>

In his paper for the Project on Trends, John Hannigan explores the branded cultural products and images that are being transmitted along these ever wider and more rapidly moving corporate conveyor belts.<sup>27</sup> Important as economic product, these "brands" are even more important as shared cultural

icons. Themed fantasy parks are dominating the cultural discourse of urban centres around the globe, as brand recognition pulls consumers in and away. Culture, Hannigan argues, is becoming de-territorialized, detached from the community, and commodified in the global marketplace.

The Internet works in the opposite direction by encouraging direct, unhindered individual participation, free of supervision and outside the scope of local authority. Nevertheless, like other global media, it too promotes cultural and social integration, the development of a common language — cyberspeak melded with English — and the creation of virtual communities.<sup>28</sup> On the World Wide Web, the least structured contemporary cultural environment, English is the language of choice for 80 percent of the sites.

The increasingly accessible technologies of information and communication not only facilitate the eradication of difference and homogenization, but also promote particularization and differentiation as communities appropriate, use, and transform global cultural products even as they rediscover the individuality of local culture. The multi-channel universe and magazines and music tailored to niche markets accentuate particular difference and local specialization. The “customization of cultural product,” so characteristic generically of the global economic product, allows individuals and communities to meet their specific needs in ways that would have been impossible even two decades ago. In this way, new technologies have enabled actual and virtual groups to define and empower themselves in opposition to, or even without reference to, dominant cultures. In doing so, these same processes contribute to social fragmentation and to the proliferation of specialized subcultures with little in common.

As global processes promote cultural homogenization and fragmentation, cultural boundaries — historically an essential component of national identity — are beginning to diverge even more than

economic boundaries from national political spaces.<sup>29</sup> The “national,” Marc Raboy argues in his paper, is weakened as the primary reference category for identity.<sup>30</sup>

Historically, culture has been fundamental in constituting a shared terrain for all kinds of action. We have a particular interest in political culture, that dimension of culture that constitutes the ground for political action.<sup>31</sup> Political culture, conceived as shared political meanings, values, and practices, can be understood much more broadly than much of the contemporary analysis of the displacement of national culture would suggest. There may be a nascent global political culture, empowered by new technologies, constituting a new terrain for global political action.

Ron Deibert’s analysis of the international opposition to the Multilateral Agreement on Investment (MAI), prepared for the Project on Trends, demonstrates the capacity of private actors, using the new technologies, to connect across borders and engage effectively on a public global issue.<sup>32</sup> Perhaps more to the point, his study reveals a fairly robust continuing network of activists which has sustained itself after the issue, which gave it birth, was halted. This analysis of the efficacy of local groups connected globally is consistent with Dawn Martin Hill’s discussion, in her Project on Trends paper, of the opportunities globalization has created for Aboriginal communities to connect, to explore shared identities, and to share experience.<sup>33</sup> In both these cases, the state has ceased to be the primary arena of political contestation or action, although its role as a political actor in the international policymaking environment remains central. Individuals and groups living in Canada reach out across borders to connect with like-minded others.

The narratives of opposition to the MAI, of protest against the WTO in Seattle in 1999, and of the connection among Aboriginal communities to deepen identity are threads in a far more complex tale. Private groups have worked not only in

opposition to states, but also with states as lead partners: they did so recently, for example, to create a treaty to ban anti-personnel land mines and to create a new global institution, the International Criminal Court. It is apparent that globalization is opening up new terrain for political action and that cross-border political cultures are beginning to emerge. How accountable these communities are, how representative they are, and how they are empowered to act is far less clear. Nor is it obvious how these global political cultures will intersect with and relate to national political life.

Our review of globalization, embedded as a set of historical processes, suggests that the connection and integration of societies have proceeded over time in uneven fits and starts. In its current phase, processes of globalization are associated with both significant creation of wealth and intensified social inequalities. They are enabling the emergence of nascent cultures and opening up new terrain for political action, both above and below the state. Globalization is giving voice to communities that often found it difficult to be heard in authoritarian structures, but it is also muffling the voices of others. The processes of globalization pose formidable challenges to the state — and to the citizen — through their capacity to go around, over, and under existing political communities, thereby shifting economic, cultural, and social spaces in lumpy aggregations away from territorial borders.

Culture and identity, two of the important bulwarks of the modern state, are becoming de-territorialized. The state remains, however, as the guardian and authoritative interpreter of place in a landscape of shifting tectonic plates. The state faces the formidable challenge of redefining itself in space so that it retains political loyalty as an authoritative, legitimate, representative, and accountable arena of political action. We are just beginning a new dialogue of place amidst newly opened and shifting spaces.

## IDENTITIES AND GLOBALIZATION

The narrow construction of the state as authoritative referee and regulator is problematic, we have argued, for the capacity of the state to provide social justice. It is also troubling with respect to the sustainability of national identities over time. Citizens rarely cheer for umpires; they tend to give their loyalty to teams. Even more challenging to the sustainability of national identities over time is the diminishing overlap of state borders with economic and cultural spaces and the erosion of boundaries.

Central to any concept of identity is differentiation: a distinction between “you and me,” between “them and us.” Research in social psychology confirms that borders play a defining role in establishing differentiation; indeed, identity would be impossible to create were all borders eradicated. Globalization works, however, to eradicate borders and connect across divides. Information and communication technologies facilitate the breakdown of time and space barriers, the integration of markets, and the creation of a common cultural vocabulary. When barriers erode, markets integrate, and a global culture creates shared and easily recognizable icons, a “national identity,” tied to political borders, that no longer coincides with economic, cultural, or even social boundaries, is increasingly problematic.

The problem may be more apparent than real. Social psychology speaks precisely to the prevalence of multiple identities and the importance of situational triggers. We are partners at home and professionals at work, and see no conflict between these identities; each is triggered by different situations. Similarly, we may be members of our local communities when we join together to support a school, citizens of our country when we vote in a federal election, and citizens of the world when we contribute to a non-governmental organization that works to alleviate the suffering of refugees around the globe. In each case, different triggers activate identities appropriate to the situation. This sequencing of identities is sustainable as long as the identities are compatible one with the other.

Our analysis suggests, however, that the triggers of national identity will decline as globalization intensifies. If “national” borders coincide largely with the political — less and less with the economic and the cultural, and only partly with the social — boundaries, then the triggers to national identity cannot help but be less frequent over time. What is activated less and less over time, cannot help but become less important. If our argument is correct, national identities will become less and less salient among the multiple political identities people tend to hold.

Again, this argument may well be somewhat overstated. Historically, collective concepts evolve over time, in response to a changing constellation of social, economic, and political forces. This capacity to adapt suggests the more optimistic hypothesis that “national identity” will be reconfigured as a focal point of identity in response to globalizing processes. It may well become a “niche” or “customized” identity, a place of loyalty within shifting spaces.

The weakening of national identities, moreover, is not entirely negative. It is easy to imagine, for example, that a strengthened global identity, drawing on shared cultures and values, and more vibrant local political identities, could provide valuable focal points for political action and institution-building. Indeed, we have begun to see fairly significant institutional creativity and political activity at the global level in recent years. Marc Raboy examines the nascent global communications regime and the challenges it creates for states and private stakeholders who seek to influence its development in a new arena of political action.<sup>34</sup> And Ron Deibert explores the capacity of widely separated groups from different societies to use the new information technologies to engage politically on a global issue.<sup>35</sup>

The opening up of new arenas for political action at the global and local levels will benefit citizens only if the new structures are representative and accountable. Many at the local level are, but most

at the global level are not. As long as they are not, they cannot substitute effectively for authoritative states embedded in constitutional legal systems. Without strong national identities as supports, however, state structures of authorization, representation, and accountability may weaken more quickly than alternative global structures of accountability can be constructed.<sup>36</sup>

It is possible that national identities may become largely instrumental rather than constitutive, within a broader field of salient identities. Loyalty to a state for what it can do rather than for what and whom it represents is a significantly weaker basis, however, for political authority. If processes of globalization continue to thicken, political leaders and citizens must examine and reconfigure the ground on which the legitimacy of the state stands. They must also redefine the national project if states are to continue to be a vibrant focal point of identity in a global field.

#### CONTINGENT SCENARIOS: GLOBALIZATION TRIUMPHANT AND GLOBALIZATION IN RETREAT

##### **Is Globalization Inevitable?**

The powerful effects of the revolution in information and communication technologies suggest that the current phase of “globalization,” while not new, is qualitatively different in some respects: its scope is unprecedented — it reaches literally around the globe — and its dynamism makes it irreversible. This argument needs qualification.

This is not the first time in history that economies were integrated and culture spread broadly across the globe. In earlier phases of globalization, however, cultural homogeneity occurred largely through force, as religious proselytization swept through large swaths of population and as imperial powers imposed cultural idioms and languages on the peoples they conquered. The imperial powers were typically rooted in place: Rome, Constantinople, Madrid, Paris, and London.<sup>37</sup> Currently, culture

spreads globally as economic product, pushed by the market or pulled by consumer demand. The contemporary equivalent of imperial power, the market, is everywhere and nowhere. The pace of the spread and the depth of the penetration of global culture are certainly unprecedented, but dependent in large part on thriving global markets. In the past, global markets have slowed and even collapsed.

Could such a reversal occur again? Shocks are not difficult to imagine, and the capacity of the current global system to brake and insulate against shocks is clearly limited. Historically, there have always been unexpected exogenous shocks to the system, and there is no reason to think that these kinds of unanticipated “wildcards” will not continue to occur in the future.

War among the major powers in 1914 was an unexpected and dramatic shock to the system. While a similar conflict is unthinkable today, a nuclear war in South Asia or the Middle East is conceivable. Such a war would certainly shock the global economic system. In 1973, the dramatic increase in the price of oil was anticipated by very few. It is conceivable that a recartelization of energy prices could again destabilize a humming global economy.

The current phase of economic globalization is perhaps more vulnerable to shocks precisely because of the broad base of the investment pool. Unlike the system a century ago, where a relatively small group of knowledgeable investors accounted for the bulk of global capital, current investments are far more likely to be short term, widely held, leveraged, and speculative. They are able to move far more quickly in and out of vulnerable economies and, indeed, to exacerbate the very vulnerabilities which then provoke further capital flight. The international institutions designed to manage the global economy are lagging far behind the electronic flows of capital and investment. Even if current reforms are implemented, the capacity of global institutions to brake real-time capital flows and to regulate capital markets will remain questionable.

A slowing or reversal of globalization is one among several plausible futures. Scenarios of possible contingent futures are appropriate when the uncertainties are large and exogenous shocks are a credible possibility. We develop only two contingent scenarios of globalization, each at opposite ends of a spectrum of possible futures, and consider the plausible impact of each of these on Canada in 2010. We do so fully conscious that these are stylized narratives, designed to highlight different tendencies. In 2010, Canada will likely find itself somewhere along the spectrum between these extremes.

### **Globalization Triumphant**

It is easy to imagine the quickening and deepening of processes that are currently in play. Global capital markets, direct foreign investment, and trade continue to expand more rapidly than national economic flows. International institutions lag behind global economic flows, but nevertheless expand their capacity to monitor and regulate. Processes of globalization reward innovation, analytic thinking, independence, and the capacity to “lead” flexible networks rather than command hierarchically organized bureaucratic organizations. Those without the analytic skills to participate become further marginalized as global economic activity generates an increasing share of gross domestic product measured nationally.

Movement of people continues to grow as people migrate in search of economic opportunities. A global underclass of the unskilled and their families move from village to metropolitan centre seeking a better life. It is more difficult, and getting harder all the time, for the unskilled to cross national borders. For the skilled, barriers to mobility decrease and “citizens” move back and forth among multiple centres. They live “somewhere” but work “everywhere.” Legal jurisdictions blur as projects and people become increasingly global, with global identities, and a shared global culture.

“Global cities” — in Canada: Vancouver, Toronto, and Montreal — grow in dynamism, attractiveness

to new immigrants, and as engines of wealth. They become the “hubs” connecting diverse populations to hubs worldwide. These cities become powerful global players, generating resources that dwarf those of provincial and federal governments. They become primary producers of cultural products that play directly in global markets. Cities invest their tax revenues primarily in infrastructure, safety, and tourism to increase their attractiveness as hubs. That these cities do not have an adequate tax base to meet the needs of those marginalized by new forms of wealth creation becomes a growing problem. In the cities, social inequalities grow.

Control but not authority continues to migrate up to a vibrant global economy and to international institutions, out to non-governmental organizations and global associations, and down to local communities. Local communities become more important as a haven from global pressures and as an arena of effective political action. The state, the authoritative voice, but increasingly disconnected from control, becomes the referee that seeks to enforce fair practices. It retreats as the commanding force of political loyalty and identity for many, and extracts less revenue from its citizens through taxation as mobility and global market pressures grow. Nevertheless, the state remains central to the marginalized population that can mobilize political resources to press the state to honour the pre-existing social contract.

### **Globalization in Retreat**

Processes of globalization could be slowed, stopped for a considerable period, or even reversed, as they have been in the past. It is unlikely that the growth of global production through inter-firm trade could be stopped for very long, and difficult to foresee how interlocking networks of information could be stopped at all. The pace of expansion could be significantly slowed, however, and processes of economic integration could be reversed. It is not difficult to build a credible scenario. We present only one among many several possibilities.

An overheated stock market in the United States declines markedly, destroying consumer confidence and provoking a decline in global markets. The decline of markets is exacerbated by a significant failure of computer technology. Human resources are inadequate to repair the systems in a timely way, and interruptions to information transfer — military and civilian — are serious and prolonged. Information systems within international institutions do not function well enough to track and monitor financial transactions. Seeking to prevent a significant decline of the Euro, the European Union imposes temporary currency controls. Their action sparks similar actions by others, who restrict not only currency movements but also mobility of people.

Global economic activity — trade and direct foreign investment — declines significantly as a proportion of gross domestic product. The “global cities” experience real declines in housing prices, increased unemployment, and intense pressure on a social infrastructure that is already inadequate to meet social and economic needs.

Under these conditions, the state moves more prominently into the foreground of the political landscape in response to pressing public demands to re-ignite engines of economic growth and fulfill long dormant social contracts. As such, it reclaims, at least in part, its status as a focal point for political loyalty and attachment.

### **THE STATE IN THE TWO SCENARIOS**

Globalization sets different constraints for the state in each of these two scenarios. As important, however, states have strategic choices under each set of constraints. Before we examine these pairs of constraints and choices, we make four general points.

First, states can and do follow noticeably different paths in their response to globalization. Consider, for example, how differently Japan and

the United States, Singapore and Hong Kong, have addressed the challenges of globalization. Consider as well the distinctive responses of the countries of Southeast Asia to the regional economic crisis which all experienced in the last few years. It is apparent that “one size” does not “fit all.” The neo-liberal policies allegedly necessary for participation in the global economy permit more degrees of freedom than is commonly thought.<sup>38</sup>

Second, countries do not start from similar terrain when they respond to globalization. Globalization does not level the past. States and societies bring with them their territorial space, population and resource base, as well as the traditions, culture and political institutions of their community, built up over long periods of time. These shape their response to globalization as they have shaped earlier stages of their national development. A major reason for the “bio-diversity” of global states lies precisely in these deeply rooted historical traditions and institutional resources.

Income inequality in the United States, for example, has grown much more dramatically than in Canada in the last 25 years.<sup>39</sup> Indeed, income inequality among families in Canada after taxes and transfers does not appear to have grown between 1980 and 1995, the years of intensifying exposure to American and global markets.<sup>40</sup> Canada has spent more than the United States on social programs and the gap has widened since 1980.<sup>41</sup> Canadian programs have also been more strongly redistributive than equivalent programs in the United States. It appears that the Canadian state, rooted in political values, culture, and institutions, has in the past mediated the impact of global market forces more aggressively than its counterpart in the United States.

Third, large chunks of societies for the most part have not migrated out into the global system as have dimensions of the economy, culture, information, and communications, and — to some extent — population. Most social requirements and consequent

social policy demands remain domestic, not global, in character. For better or for worse, the state remains the principal, at times exclusive, repository of demands for social benefits. If states are able to generate budgetary surpluses as deficits recede in a period of expanding growth, they may have additional resources to meet these demands. If so, they may recapture some of their centrality as focal points of loyalty, especially among that part of the population that is marginalized by globalization.

Fourth, inequality, exclusion, and marginalization globally have become increasingly acute in the last two decades and show evidence of deepening. In fact, there is a risk that as globalization deepens, should states not respond to reduce inequalities, two societies may develop: one, composed of “global citizens” who are skilled, mobile, urban, autonomous of government, capable of exploiting the opportunities the global economy presents; and an unfortunate underclass, whose members are impoverished and poorly educated and whose status as economic refugees in their own country encourages them to look to their government as their only source of support.

With these four caveats, we develop four models of the state, two under the “Globalization Triumphant” scenario and two under the “Globalization in Retreat” scenario.<sup>42</sup> Drawing on the analysis of these pairs, we argue that the choices open to the state, should globalization retreat, are significantly affected by the choices it made when globalization was moving forward. Path dependence limits the trajectory of the state should the parametric condition of globalization change. We examine the consequences of these restrictions in the concluding section of the paper.

### **Globalization Triumphant: The Position of the State**

Should globalization triumph, we can imagine two models of the state. We label the first the *State as Handmaiden* and the second the *Social Investment State*.

In both models, state capacity decreases relative to the growing power of other institutions. The state attempts to mediate between the forces of globalization and its citizenry. It supports the efforts of its citizens, corporations, and private organizations to participate and compete successfully in global markets. Within its borders, it becomes the referee that seeks to ensure fair practices and compliance with international norms and regulations. The state defines its role as mediator, referee, and facilitator.

The state retreats as the commanding force of political loyalty and identity for many of its citizens, particularly those capable of participating successfully in global markets. Nationalism declines as a source of identity for these globalizing elites. In Canada, both Canadian patriotism and Quebec nationalism recede. When globalization triumphs, the state faces a fundamental challenge: How can the state address the increasingly acute problems of social and economic inequality and secure the insertion of the marginal and excluded population in the global community? There are two different stylized responses to this challenge.

#### *The State as Handmaiden*

State leaders define as their central mission securing the “competitiveness” of their population. They seek to create and maintain the conditions generally understood within a neo-liberal framework as critical requisites for an adaptive and attractive response to globalization: a balanced budget, low taxes, a skilled and literate workforce, an accommodating regulatory environment, and a climate conducive to research and innovation. Public policy concentrates on building the economic infrastructure and the trained human resources as the platform of participation in the global economy. The state’s capacity and willingness to support the weakest and most vulnerable members of society are limited by two factors. First, social justice is not the core mandate of the neo-liberal state in a global economy; at best, it is secondary and instrumental. Second, the discipline imposed by global markets reduces government revenues as a proportion of domestic

earnings and, consequently, its capacity to meet social needs, either directly by spending, or indirectly through taxation and redistribution. Governments, for example, are pressed to lower taxes to satisfy mobile corporations and retain the talented professionals and innovators who participate effectively in the global economy. Doing so, however, limits the capacity of the government to address the growing social inequality which accompanies deepening globalization when it is unmediated. Although economic growth continues as globalization deepens, redistribution in the service of social justice becomes more difficult.

Mark Neufeld describes the state that seeks to adjust its society to the exigencies of the global economy, rather than to adjust the impact of the global economy on its society, as the “national competitiveness/forced-adjustment state.”<sup>43</sup> In this kind of state, the space for political and economic policy choices shrinks and state capacity declines for making the choices in the space that remains.

#### *The Social Investment State*

States need not choose to be handmaidens of globalization, even when it triumphs. Globalization sets the parameters of policy, but the choice is still large within these constraints. Especially as publics begin to focus on the unacceptable social consequences of the Handmaiden State, the space for leaders to choose different priorities grows. The Social Investment State recognizes that effective participation in the global economy and engagement with the revolution in information and communications are necessary to generate wealth. It has a more expansive view, however, of the requisites of global competitiveness than the neo-liberal Handmaiden State. Crime, social disorder, disease, and poverty all reduce a country’s competitiveness; other things being equal, people and firms will prefer to locate in areas where the quality of life is good. Cities that work — where pollution is low, crime is not a threat to safety, where neighbourhoods thrive, where communities cohere, where schools teach — make good economic sense, and, they are good places in which

to live. A strong economic case can be made for an attempt to reduce the social inequalities that breed poverty and social disorder, and for seeking to include the excluded.

The case for including the socially excluded is more than economic. Leaders of the Social Investment State continue to feel a responsibility toward their citizens and their needs. In a Social Investment State, policy is justified in social as well as economic terms and leaders seek to balance needs. Much of what the Handmaiden State does the Social Investment State would do, too: balance the books, reduce taxation, seek efficiencies in government and innovation in the delivery of public services. Both would likely want to provide high quality economic infrastructure and equip talented citizens with the capacity to participate in the global economy. Their reasons for doing so, however, would be different.

The generation of wealth is not the sole or even preeminent priority of the Social Investment State. The state is accountable to the whole community and the community encompasses not only those who are agile in the global marketplace, but also those who are excluded by it. Some of the resources generated by the expanding economy would be dedicated to support those unable to participate directly in its functioning. We observed earlier that, unlike economies and cultures that have partly migrated out, societies have remained largely, though not exclusively, at home. The Social Investment State responds to the needs of its national community and invests broadly in the needs of its society.

The Senate Committee on Social Affairs observed that, in the era of the welfare state, security used to mean protection from change, but that it now means building the capacity to change.<sup>44</sup> The committee argues that the new concept of security implies a shift from an emphasis on social expenditure to social investment, a shift away from the traditional welfare state based on direct provision of social services, to a new social investment state. It recognizes

that "... the need for insulating or providing social insurance for those in the country who suffer from the socially corrosive forces of globalization and technology has not diminished. If anything, this need has become greater as a consequence of globalization."<sup>45</sup> The committee argues that Canada has not yet responded adequately to the challenge: "... we have not yet found or agreed on a solution on how to achieve a more sustainable balance between economic globalization and social cohesion. Canada lacks a social consensus on this question. There has been no comprehensive blueprint of a social contract for the new global era."<sup>46</sup>

The committee identified the central challenge for those who wish to construct a Social Investment State rather than a Handmaiden State in response to the challenges of globalization. In an earlier era, the welfare state achieved a rough balance between economic productivity and social justice. That balance, along with the welfare state, is gone.<sup>47</sup> The challenge is to develop policies of social investment to rebalance economic and social needs, not only because a vibrant and functioning society enhances competitiveness, but also because the state has a responsibility to all its citizens.

#### GLOBALIZATION IN RETREAT: THE REPOSITIONING OF THE STATE

Processes of globalization do not necessarily march forward in uninterrupted, smooth, linear sequence. As we argued earlier, globalization has proceeded historically in uneven, bumpy, and lumpy sequences. The scenario we are about to describe is a narrative of a bumpy reversal of some of the processes of economic globalization. It is only one of several plausible scenarios of globalization reversed.

Global trade and foreign direct investment decline, and states begin to erect barriers to protect their domestic markets. Economic growth slows and the economy contracts toward national borders. In a period of intensifying economic uncertainty,

citizens come “back home” to the state that has a real, if diminished, capacity to act and retains substantial democratic legitimacy. The state’s weakened role relative to other institutions reverses as citizens, seeking security and protection, reinvest national governments with greater economic control.

Borders begin to matter more. The state offers some protection from the weakened but now unfriendly forces of globalization. Its role as a referee becomes less relevant, and government is pushed by its citizenry to become an active player in the national economy, in some cases challenging the dominance of international regulations and institutions. The global entrepreneurs and professionals, now being shed by retrenching multinational corporations, return “home” and revisit the state as an engine of economic protection and action.

Social inequality remains an acute problem, although for reasons dramatically different from scenarios of globalization triumphant. The political authority to redistribute income expands, but so does unemployment and social dislocation. The fiscal capacity necessary to act is limited by the shrinking economy which accompanies globalization’s retreat, as well as by the low tax regime put in place to remain competitive when the global economy was expanding and creating significant new wealth.

As the nation-state regains some of its prominence, loyalty to it and its institutions grows. Both patriotism in Canada and nationalism in Quebec intensify. In Canada, as in many industrialized countries, hostility to immigration grows, flexible migration and multiple citizenship decline, and citizens demand tighter control of entry into the country. When globalization retreats, the central question facing the state becomes: How can the state re-ignite the engines of economic growth in a “post-global” world which protects national economies and national communities and, at the same time, address the social dislocation that is the consequence of a contracting global economy?

We develop two prototypes of the state under the condition of a retreat of globalization. Each responds differently to the central question we have identified. The first we call *The State of Unrequited Dreams* and the second, *The State as Guardian*.

### **The State of Unrequited Dreams**

Weakened and diminished during the period of globalization, the state is shorn of some of the critical capacities it needs to respond proactively to retreating processes of globalization. Its logical precursor is the *Handmaiden State* that had put its faith in the power and utility of now retrenching global markets. During the state’s relative lack of concern for social cohesion as globalization moved forward, important institutions and policy capacities decayed, leaving the State of Unrequited Dreams ill-equipped to address the painful social dislocations that are part of a retrenching global economy. What is more, its capacity to serve as a focal point not only for the rising demands of its citizens but also for their loyalty is crippled. Captured by neo-liberal ideology, the state had shrunk not only in size, but in its ambition. Conceptualizing a positive and proactive role for government is unfamiliar, uncomfortable, and difficult after years of restricted service as referee, mediator, and facilitator. The state finds itself now unable to meet the new demands of its citizenry because of choices it has made in the past.

Neo-liberal analysts would have little that is critical to say of this passive and limited role of the state as the wave of globalization retreats. Firm in their belief that governments can do little or nothing directly to encourage economic recovery, they would consider the government’s policy passivity appropriate. Neo-liberals would applaud the state for seeking to get the fundamentals right, and then leaving the field to markets to do what they do best: generate economic activity, profits, and employment.

Those who argue that government has an obligation to intervene in the market when markets fail would consider the inactivity of the State of Unrequited Dreams frustrating and shortsighted. The

critics of the Handmaiden State during the era of globalization triumphant will take cold comfort from the accuracy of their contingent forecast of a state shorn of its capacity to meet social needs, should it have the vision to try to do so.

### **The Guardian State**

It metamorphoses naturally from the Social Investment State as economic conditions change. The public-sector capacity, which the Social Investment State maintained during the period of expanding globalization, serves it well in the period of retrenchment. Habituated to adapting global pressures to domestic needs, and to using society's resources to support its weakest members, the Guardian State has both the capacity and the predisposition to assume the role of society's protector in a time of crisis. Its public sector will be larger than that preserved by the Handmaiden State and its core capacities to make social policy will be more or less in place. The Guardian State will have the capacity and the interest to accommodate itself to a more activist role in times of economic difficulty. Since its priorities have been not only an efficient adjustment to the global marketplace but also the social well-being of its citizenry, it will be well able to respond to citizens' renewed support of national sovereignty and national responsibilities which are the likely consequences of globalization in retreat. The Guardian State has meaningful choices to make, where the State of Unrequited Dreams has few if any at all.

### **CONCLUSION**

We have sketched four stylized models of the state, each pair embedded in two very different narratives of globalization — the first of triumph, the second of retreat and even reversal. The two narratives of globalization are different plausible futures, each difficult to dismiss with confidence. Globalization at either parametric value, we argue, offers more degrees of freedom than is conventionally thought.<sup>48</sup> We do not enter into the debate about whether one or the other future of globalization is the more likely.

Nor do we maintain that these are the only plausible scenarios of the future. We do argue that both scenarios are plausible — and possible. We develop these two scenarios to help discipline the arguments, vary the conditions, and reflect upon the future of state and society in a contingent future.

We develop at least two models under each condition of globalization to dramatize our argument that Canada and Canadians do have choices in their response to globalization. Globalization triumphant creates one set of constraints, principally through international institutions, international law, and global markets which limit the capacity to run deficits. Even then, the Canadian state can respond in different ways. It can significantly reduce the size of government and choose to concentrate on mediating and assisting the adjustment of its citizens to global processes so that they are better positioned to compete. If the state makes this choice, it sheds much of its capacity to make social policy but it continues to play an important, even essential, role in building all the relevant infrastructures and platforms for participation in the global economy. Or, the Canadian state can choose to invest socially, to enhance and broaden the basis of participation in global markets but also to strengthen society by compensating and sustaining those excluded by the current phase of globalization. We argue that Canadian values, political culture and institutions, as well as the history of the last hundred years, predispose the government as well as the citizens to favour a Social Investment State. Yet, the challenge will be real. As national identity declines in salience, and as the state loses control of some of the important levers of growth, public trust, and social solidarity will decline. In the face of a growing "democratic deficit," the Social Investment State must be able to persuade its most globally active citizens to invest at home to support and enhance the capacity of those who are marginalized by the latest phase of globalization. Skilled political leadership, reinforced by continuing reference to the values that Canadians share, will be needed to persuade Canadians to continue to invest to bridge the gaps that exist.

Our analysis also shows that, despite the challenge, the Social Investment State is the conservative choice. How the Canadian state responds when globalization is in its triumphant phase will have a significant impact on its capacity to respond should globalization stumble. The capacity that erodes in the Handmaiden State cannot easily be rebuilt when the parametric value of globalization changes. The Handmaiden State, we suggest, creates path dependency that precludes the Guardian State. Should globalization reverse or slow significantly, it is very likely that the Handmaiden State will be followed by the State of Unrequited Dreams. Ours is a cautionary tale of states that act as handmaidens to processes of globalization.

Our stylized portraits of two pairs of states are heavily weighted toward an assessment of the capacity and inclination of the state, under varying conditions, to respond to social — and cultural — needs. We, and our fellow authors in the Project on Trends, chose to examine the social dimensions of globalization in part because less attention has been paid to its social consequences than to its other dimensions. In part, we also thought that inattention to social justice in a period of rapid economic, cultural, and political change will be terribly costly in human misery. It will also jeopardize the promise that globalization brings to many who have been excluded from traditional structures of authority.

Our analysis has focused on the continuing and important role of the state, under widely varying conditions of globalization. Some would disagree: they anticipate a hollowed state, competing for political loyalty with multiple centres of authority. The state came into being at a particular historical moment and as globalization advances, will be one among many focal points of political identity.<sup>49</sup> A few do not regret the decline of the state: citizens will enjoy multiple opportunities and a rich diversity of experience in global civil society, freed of the strictures of and obligations to the state. We disagree.

Our analysis suggests that the state still matters. It matters not only because globalization still permits significant state choices, or even because the state is still best equipped to address social inequalities. It matters even more because in constitutional democracies, the state remains the most important repository of legitimate and accountable governance.<sup>50</sup>

Contributors to this analysis of globalization have identified the thickening of international institutions and the early beginnings of a nascent global civil society. These are, however, but early beginnings and the network of international institutions is not subject to even rudimentary, much less systematic democratic control. As Mark Zacher observes, there has been an explosion of international agreements, treaties, and tribunals in recent years, yet most remain heavily executive-led and bureaucratic, thickly insulated from popular pressures.<sup>51</sup>

Canadians already have experience with the democratic deficiencies of executive federalism in the Canadian context. “Executive federalism,” disconnected from the publics it is allegedly serving, is as problematic at the global level as it is in the European Union, or in the Canadian federation. David Held develops a model of cosmopolitan governance that creates an overarching set of rights, obligations, and standards to govern the behaviour of all institutions, local, national, and international.<sup>52</sup> In this model, international institutions would become open, responsive, and accountable. Although groups of citizens are mobilizing to hold institutions accountable and to increase transparency, at present the accountability of international institutions is at best embryonic. International institutions are a poor competitor to democratic, legitimate, and accountable states.

Democratic states, constitutionally governed by the rule of law, will continue to be the venue where the exercise of power is best held accountable and where legitimate and representative governance is most likely. Indeed, it is likely that demands for representation and accountability will grow if

globalization deepens, as citizens seek to assert control over important areas of public policy that directly affect their lives. The most promising arena for rule-governed popular contestation remains the democratic state. Certainly, international organizations, global private-sector corporations, military alliances, and even coalitions of non-governmental organizations do not provide the same opportunity. Nor, domestically, do cities, self-regulating industrial sectors, churches, or cooperative associations — at least, not yet. The signal advantage of the modern rule-governed democratic state is still unmatched in its capacity to provide accountability and representation. Whether connections among societies thicken, or globalization sputters, our analysis suggests that it will be more important than ever to hold governments accountable for their stewardship of society and to give voice to those who are excluded as well as to those who are included by current processes of globalization.

## NOTES

<sup>1</sup>Jeffrey Sachs, "International Economics: Unlocking the Mysteries of Globalization," *Foreign Policy* (1998): 97-111; Manuel Castells, *The Rise of the Network Society* (Oxford: Blackwell, 1996); and *The End of the Millennium* (Oxford: Blackwell, 1998).

<sup>2</sup>Yale Ferguson and Richard Mansbach, *Politics: Authority, Identities, and Change* (Columbia, SC: University of South Carolina Press, 1996).

<sup>3</sup>Kenichi Ohmae, *The End of the Nation State* (New York: Free Press, 1995), p. 2, argues that: "Traditional nation-states have become unnatural, even impossible business units in a global economy." Susan Strange made a similar argument: "The impersonal forces of world markets ... are now more powerful than the states to whom ultimate political authority over society and economy is supposed to belong ... the declining authority of states is reflected in a growing diffusion of authority to other institutions and associations, and to local and regional bodies." Susan Strange, *The Retreat of the State: The Diffusion of Power in the World Economy* (Cambridge: Cambridge University Press, 1996), p. 4.

<sup>4</sup>Janice Gross Stein, "The Privatization of Security," *International Security Review* (2000), forthcoming.

<sup>5</sup>See Castells, *Rise of Network Society* and John Ruggie, *Winning the Peace: America and World Order in the New Era* (New York: Columbia University Press, 1996).

<sup>6</sup>David Held, Anthony McGrew, David Goldblatt and Jonathan Perraton, *Global Transformations: Politics, Economics, and Culture* (Stanford: Stanford University Press, 1999), p. 437.

<sup>7</sup>Held *et al.* develop the concept of "thick" and "thin" globalization in *Global Transformations*.

<sup>8</sup>See Linda Weiss, *The Myth of the Powerless State* (Ithaca: Cornell University Press, 1998).

<sup>9</sup>Jeffrey Williamson, *Globalization and the Labor Market: Using History to Inform Policy* (Milan: Lezioni Raffaele Mattioli, Banca Commerciale Italiana, Università Commerciale Luigi Bocconi, 1996), pp.16, 18, Table 2:1. See also Stephen Krasner, *Sovereignty: Organized Hypocrisy* (Princeton: Princeton University Press, 1999).

<sup>10</sup>M. Obstfeld and A.M. Taylor, *The Great Depression as a Watershed: International Capital Mobility over the Long Run* (Cambridge, MA: National Bureau of Economic Research, Working Paper No. 5960, 1997); Krasner, *Sovereignty: Organized Hypocrisy*, p. 13; Weiss, *Myth of the Powerless State*, pp. 172-76.

<sup>11</sup>Peter F. Drucker, "The Global Economy and the Nation-state," *Foreign Affairs* (1997):159-71. See also Paul Doremus, William Keller, Louis Pauly, and Simon Reich, *The Myth of the Global Corporation* (Princeton: Princeton University Press, 1998); and W. Ruigrok and R. van Tulder, *The Logic of International Restructuring* (London: Routledge, 1995).

<sup>12</sup>Paul Hirst and Grahame Thompson, *Globalization in Question: The International Economy and the Possibilities of Governance* (Cambridge: Polity Press, 1996); and Robert Wade, "Globalization and Its Limits: Reports of the Death of the National Economy Are Greatly Exaggerated," in *National Diversity and Global Capitalism*, ed. Suzanne Berger and Ronald Dore (Ithaca: Cornell University Press, 1996).

<sup>13</sup>Wolfgang H. Reinicke, *Global Public Policy: Governing without Government* (Washington: Brookings Institution Press, 1998), pp. 11-51, especially p. 19.

<sup>14</sup>For an analysis of knowledge networks, see Janice Gross Stein, Richard Stren, Joy Fitzgibbon and Melissa MacLean, *Networks of Knowledge: Collaborative Innovations in International Learning* (Toronto: University of Toronto Press, forthcoming).

<sup>15</sup>We are grateful to our anonymous reviewer for this interesting point about the privatization of knowledge.

<sup>16</sup>Sachs, "International Economics."

<sup>17</sup>Paul Krugman, *Development, Geography, and Economic Theory* (Cambridge, MA: MIT Press, 1995); and Paul Krugman and Robert Lawrence, "Trade, Jobs, and Wages," *Scientific American* 270 (April 1994): 44-49, argue that the direct effects on US income distribution of global trade have been small. They attribute the rising income inequality within the United States not to global trade and investment but to the impact of technology. They argue that the proportion of the labour force in developed economies in direct competition with low-skilled workers in the south is far too small — about 5 percent in the US labour market — to explain the dramatic widening of income inequalities of the last two decades. For a contrary perspective, see Robert Frank and Philip Cook, *The Winner-Take-All Society* (New York: Simon & Schuster, 1995).

<sup>18</sup>United Nations Development Program, *Tenth Annual Report* (United Nations: New York, 1999).

<sup>19</sup>Sachs, "International Economics."

<sup>20</sup>Drucker, "The Global Economy and the Nation-state."

<sup>21</sup>Geoffrey Garrett, "Global Markets and National Politics: Collision Course or Virtuous Circle," *International Organization* 52, 4 (1998): 787-824. See also Geoffrey Garrett and Peter Lange, "Internationalization, Institutions, and Political Change," in *Internationalization and Domestic Politics*, ed. Helen Milner and Robert Keohane (Cambridge: Cambridge University Press, 1996); and A. Hurrell and N. Woods, "Globalization and Inequality," *Millennium* (2), 1995.

<sup>22</sup>Held et al., *Global Transformations*, p. 436.

<sup>23</sup>Thomas J. Courchene, ed., *The Nation State in a Global Information Order: Policy Challenges* (Kingston: John Deutsch Institute for Economic Research, 1999), pp. 67-95.

<sup>24</sup>Lloyd Wong, "Transnationalism, Diasporan Communities and Changing Identity: Implications for Canadian Citizenship Policy," unpublished paper prepared for the Project on Trends.

<sup>25</sup>For a similar definition of culture, see Franklyn Griffiths, "The Culture of Change," paper prepared for the Trends project.

<sup>26</sup>Held et al., *Global Transformations*, p. 427.

<sup>27</sup>John A. Hannigan, "The Global Entertainment Economy: A Critical Essay," paper prepared for the Project on Trends.

<sup>28</sup>Barry Wellman, *Networks in the Global Village: Life in Contemporary Communities* (Boulder, CO: Westview Press, 1999).

<sup>29</sup>It is striking that even within the United States, the dominant producer of global cultural product, there is growing concern about the viability of culture. The arts and culture are the second largest American export, after technology. The Pew Charitable Trusts, the foundation that funded the pioneering work on global warming, civic journalism, and campaign finance reform, has committed itself to shaping a "national" cultural policy. Over the next five years, the Pew plans to encourage policymakers to focus on the financing of the arts, intellectual property rights, zoning in historic areas, and an arts curriculum for public schools. Animating the project is the view that culture is a national responsibility, essential to "preserving and enabling American creativity." Judith H. Dobrzynski, "Heavyweight Foundations Throws Itself Behind Idea of a Cultural Policy," *The New York Times*, 2 August 1999, p. B1.

<sup>30</sup>Marc Raboy, "Communication and Globalization — A Challenge for Public Policy," paper prepared for the Project on Trends.

<sup>31</sup>See Griffiths, "The Culture of Change," for a discussion of political culture.

<sup>32</sup>Ron Deibert, "Civil Society Activism on the World Wide Web: The Case of the Anti-MAI Lobby," paper prepared for the Project on Trends.

<sup>33</sup>Dawn Martin Hill, "Globalization and Indigenous Self-Determination," paper prepared for the Project on Trends.

<sup>34</sup>Raboy, "Communication and Globalization."

<sup>35</sup>Deibert, "Civil Society Activism on the World Wide Web."

<sup>36</sup>We are grateful to Ann Medina and Melissa Williams for these helpful points.

<sup>37</sup>Richard J. Barnet and John Cavanagh, *Global Dreams: Imperial Corporations and the New World Order* (New York: Simon and Schuster, 1994).

<sup>38</sup>Weiss in *The Myth of the Powerless State* makes these arguments. Indeed she argues that current neo-liberal orthodoxy that glorifies markets is an Anglo-American construction.

<sup>39</sup>Keith G. Banting, "The Internationalization of the Social Contract, in *The Nation State in a Global Information Era: Policy Challenges*, ed. Courchene, p. 277, Figure 3.

<sup>40</sup>A gini index measure of family income inequality after taxes and transfers shows a score of 0.294 in 1980 and 0.298 in 1995. See Statistics Canada, *Income after Tax, Distribution by Size in Canada: 1995* (Ottawa: Supply and Services Canada, 1997), Table VI. These data do not reflect the cuts to social programs that came on-stream in 1997.

<sup>41</sup>Organization for Economic Cooperation and Development (OECD), "Social Expenditures Statistics of OECD Member Countries: Provisional Version," *Labour Market and Social Policy Occasional Papers* 17 (Paris: OECD, 1996).

<sup>42</sup>Our four models differ from the matrix developed by the Government of Canada in its "Governing in an Information Society" project. Our models of the state, namely, the State as Handmaiden, the Social Investment State, the State of Unrequited Dreams, and the Guardian State, are nested within two scenarios that vary the pace, scope, and intensity of globalization. The analytic purchase comes from identification of path dependence and obstacles of movement across the two scenarios. See

Steven Rosell, *Changing Maps: Governing in a World of Rapid Change* (Ottawa: Carleton University Press, 1995).

<sup>43</sup>Mark Neufeld, "Globalization: Five Theses," unpublished manuscript, April 1999, Trent University, Peterborough, Ontario.

<sup>44</sup>The Standing Senate Committee on Social Affairs, Science and Technology, *Final Report on Social Cohesion*, Ch. 4, p. 4. Banting makes precisely this argument in "The Internationalization of the Social Contract."

<sup>45</sup>*Ibid.*, Ch. 2, p. 10.

<sup>46</sup>*Ibid.*, Ch. 4, p. 2.

<sup>47</sup>Paul Pierson dissents and argues that despite austerity and retrenchment, the welfare state has demonstrated surprising endurance. See his *Dismantling the Welfare State? Reagan, Thatcher, and the Politics of Retrenchment* (Cambridge: Cambridge University Press, 1994), pp. 179ff.

<sup>48</sup>Keith Banting, George Hoberg and Richard Simeon, eds., *Degrees of Freedom: Canada and the United States in a Changing World* (Kingston and Montreal: McGill-Queen's University Press, 1997). See also George Hoberg, Keith Banting and Richard Simeon, "North American Integration and the Scope for Domestic Choice: Canada and Policy Sovereignty in a Globalized World," paper prepared for the annual meeting of the Canadian Political Science Association, 6-8 June 1999, Sherbrooke, Quebec.

<sup>49</sup>Ferguson and Mansbach, *Politics: Authority, Identities, and Change*.

<sup>50</sup>We are indebted to Ann Medina for insisting on consideration of this question.

<sup>51</sup>"The Global Economy and the International Political Order," in *Nation State in a Global Information Order*, ed. Courchene, pp. 67-95. See also Michael Th. Geven and Louis W. Pauly, eds., *Democracy Beyond the State?* (Lanham, MD: Rowan and Littlefield, forthcoming).

<sup>52</sup>David Held, *Democracy and the Global Order: From the Modern State to Cosmopolitan Governance* (Stanford: Stanford University Press, 1995).