

# Is Global Capitalism Eroding the State?

Written by John Hardy

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JOHN HARDY, SEP 22 2008

This article is a response to the pervasive rhetoric that globalisation, in particular the associated implication that capitalism is an expanding global force that is inextricably enmeshed within globalisation, has been and continues to erode the state. The modernisation stage of capitalism is held to have necessitated the homogenising state that the globalisation stage of capitalism is argued to be casting aside. This warrants further exploration for the reason that the suggestion that capitalism is undermining the capacity of the state to the point that it has rendered the autonomous legal entity of the state defunct discounts the collective necessity of the state in the contemporary world. The empowerment of nations has seen much public debate sway toward the distinction between the nation and the state, although this is counterintuitive to some Western societies that are based upon a civic identity that is more closely aligned with the state than a nation, and has compounded the position that the globalisation of capitalism has diminished the capacity of the state to control the territorial boundaries occupied by nations that are becoming similar due to the expansion diffusion of a global culture.

That the modernisation stage of capitalism necessitated the homogenising nation-state which would later be atrophied by the heterogeneous globalisation stage of advanced and intensive capitalism is more an indictment on the incapacity of the current method of political demarcation to contain the expansion of capitalism than a criticism of capitalism as an economic force that has subjugated governance in order to adhere to its own agenda. There are four thematic elements of this assertion. They are that capitalism required the nation-state in order to industrialise, that advanced capitalism led to globalisation in order to seek profit reparation, that globalisation has led to the weakening of the nation-state as it has extended the reach of the commercial and information sectors beyond the regulative authority of the state and that capitalism now supersedes the nation-state because global culture is delineated by transnational corporations and non-state organisations rather than nationalist identities, especially in the most advanced capitalist countries. This is not to assume that the end of the nation-state's reign as the primary political unit of analysis is nigh. To the contrary, even as the nation-state is relegated to a diminished role by worldwide capital and information flows, it remains as necessary as ever to provide a range of services and protections and to act as a locus of ethnonational identity that cannot be anchored in the cultural fulcrums that disseminate global civic identity.

The argument that capitalism required the nation-state as a cohesive determinant to industrialisation is supported by the observation that the transition from earlier societal structures necessitated mass mobilisation and the unification of an industrial workforce, and also by the contention that out of the three fundamental stages of development that humanity has experienced in its recorded history, the pre-agrarian, the agrarian and the industrial,[i] only the modern states have been consistently nation-based. Many pre-modern societies were not nations. This might indicate that modernity caused, to a lesser or greater extent, the amalgamation of the nation and state. However, the first political effect of modernisation was typically an expansion of central authority rather than a direct transition from feudalism to nationalism. At a later stage centralised power was transferred from a dictator to the representatives of the constituency, at which point modernising states became nations by contemporary standards. The reason for such a protracted process is that modernisation usually progresses by degrees and stages, allowing for wide margins of coexistence between traditional and modern cultural features. Ultimately, the cultural traits that are essential to modernity, in particular the desire for higher material standards, become precipitating factors that contribute to modernisation.[ii] This occurs because there is a theoretical association between the nature of the economic system, including the division of labour and the distribution of economic status, and particular forms of social integration characteristic of the society in question.[iii]

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The essential link between modernisation and nationhood stems from the need for an intensive division of labour. As geographic contact between individuals increases, regional differences are subject to expansion diffusion and the prevalent social and intellectual styles change more rapidly. The most significant change, in both cultural and political terms, is the growing interdependence between individuals. In addition, as a by-product of modernisation, humanity has a unique need of and capacity for interaction and coordination. From more comprehensive organisation, a broadening of the dynamic range of political power is also implied.[iv] This is appropriate given that in the modern world, society, economy, and authority are no longer bound by the limits of a territorial state; authority is exercised across boundaries and exercised indiscriminately and unevenly by various actors on the global stage.[v] Through the use of technological advancements, the bureaucratic state has extended its spatial range to the remotest corners of its territorial boundaries. Yet this power and penetration has produced a very deep crisis of legitimacy and cohesion in the modern national state.[vi] Simultaneously, non-state nations have accumulated enough acceptance, even a legitimacy of sorts,[vii] in multilateral forums to represent their interests publicly.

It follows also that the age of liberal individualism has also been the age of nationalism. This assertion is framed by the fact that liberal practices and values have historically been directed toward the individual. Meanwhile, liberalism has been realised, to the most substantial extent, within the sphere and agenda of national communities.[viii] An example of this exists within the principles of capitalist growth in nation-states. Theoretically, if state policy subordinates working-class living standards it simultaneously accentuates the accumulation of capital. Conversely, if state policy inflates working class living standards, then it still furthers the accumulation of capital by legitimising the capitalist superstructure. Were this functionalist premise to hold true in reality, then the outcome would produce trends of political convergence in advanced capitalist societies. What is observable, though, is political divergence. The reason for this is that the fundamental pinions of organised labour, in an industrialised society, are diametrically opposed to economic liberalism. According to the Marxist doctrine of capitalist class structure and struggle, the tension experienced in industrial relations is between capital and labour. These positions polarise the industrial relations debate and in order to understand the functioning and development of capitalist nations we have to focus on the distribution of power resources between the main classes within their societies.[ix]

In these terms, the sphere of production is an institutionalisation of unequal power. In spite of this foundational inequity, powerless groups can improve their power position through the mobilisation of collective action and may eventually surpass their superiors.[x] This is counterproductive to the organisation of the nation-state because it promotes intra-specific conflict and entails restriction by the state in order to retain the support of the nation that underpins it. However, as Isaac argues, attempts to exceed the limits of the domestic economy by redistributing income or subsidising taxation rates will be undermined by the rising prices needed to restore profitability. Furthermore, if profit reparation is not successfully supported by increased prices, then unemployment is likely to be the ultimate consequence. This creates a zero-sum exercise in which the reduction of profit margins for the purpose of alleviating wage pressure must be weighed against the undesirable economic outcomes of overzealous income relief policies. The orthodoxy of diminished state interference is predicated upon the belief that markets are more efficient in reaching equilibrium when they are deregulated. The implication of this economic tenet is that macroeconomic policy ought to be used to alter the landscape of market operation by affecting competition, taxation and subsidies, protection and labour mobility without directly intervening in the market itself.[xi]

To briefly revert to Marxist terminology, it can be argued that capital has traditionally been focused upon consolidating production and markets while labour has been preoccupied with diverting market outcomes to serve social needs, or at least to alleviate social ills that are a by-product of production and consumption, through political institutions.[xii] For the nationalistic sentiment within the community to be satiated, the government must refrain from deriving policy options from the types of non-democratic and market-based political networks that characterise the globalisation stage of capitalism.[xiii] Whether or not this is possible is in doubt as the globalisation drive continues to gather momentum in the twenty first century. Some observers go so far as to suggest that the nation-state itself is becoming obsolete due to the imposition of transnational regulatory frameworks upon domestic governments[xiv] and that the nation-state has been rendered defunct by the accrual of inter-continental ballistic missile stockpiles, has been surpassed and curtailed by the overwhelming global economy and has been downtrodden and overlooked by ever-expanding Multi-National Corporations.[xv] These contentions may be pessimistic, but it is undeniable that the nation-state has been weakened by the integration of global economic and information networks.

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In the era of globalisation the control which governments can exercise over their own domestic economies is waning in several key areas. These include dependency on international market access, global movement of capital, goods, information and people, pressure from the commercial sector, and the proliferation of global consumer culture.[xvi] The process of integration is stripping away the sovereignty of the state and the trend of further engagement and increasing interdependence between states seems set to continue increasing in velocity. Some of the more pronounced effects of internationalisation have been changes in the composition of intra-regional trade, reflecting an increase in vertical specialisation of production.[xvii] Consequently, the commercial sector hosts a range of pressures which are unique to the politics and institutions of the business environment. These influences manifest themselves in two principle forms. Initially, as national firms engage with multilateral institutions, they shed local standards and tend to adopt the characteristics of international systems. This alters domestic business models and, particularly through MNCs, engenders aspects of the global market system into domestic political institutions which are associated with the business sector. The incorporation of external characteristics alienates the government from the commercial institutions it is supposed to regulate. Moreover, disenfranchisement from local institutions can detract from the state's ability to maintain its relationship with the nation and, as a consequence of the dramatic increase in interdependence between nations and cultures, has had a tangible effect on the nation-state as unit of government.[xviii]

Such a loss of control signifies a reduction of the nation-state's monopoly over domestic affairs and implies the subversion of its legitimacy.[xix] State authority is directly undermined by the market; by the global movement of culture, finance, goods and information. These transactions are all but beyond regulation by the state, and if current trends continue we can expect that the primary form of political organisation in the world will eventually cease to be the territorial state.[xx] Furthermore, states are not only losing their ability to control their level of integration into the global system, but also their ability to manage the consequences of their integration. For example, governments have become increasingly powerless to regulate capital flows and are compelled to liberalise their economies in order to minimise the risk of rapid capital flight induced by excessively restrictive economic policy. This makes the will of the electorate redundant in the implementation of unpopular policy. This further alienates the nation because the degree to which democratic participation can affect government policy has been reduced by globalisation.[xxi] Essentially, the level of control which a national government is able to exercise over its territory is almost certain to decrease as the state haemorrhages authority into the collective pool of international governance. This undermines the viability of the nation-state in its current form in light of the globalising stage of capitalism.

The emergent modern capitalising that shares a mutually causative relationship with globalisation is strongly associated with the popular 'dependency theory' of global developmental structure. This thesis asserts that less developed nations are exploited by global capitalist trends because they are dependant on rich countries which create exploitative conditions for trade and production.[xxii] The implication of dependency theory is that the internationalisation of developing economies is a precursor to economic subjugation by the stateless commercial sector. This would lead us to draw a very bleak conclusion about the deleterious effect of internationalisation on the long-term future of nation-states. However, an equally popular opposing theory is the 'world-system theory', which postulates that there is a constantly evolving international division of labour. Thereby states fall into one of three categories: core states, peripheral states, and semi-peripheral states. Core states are those which specialise in capital-intensive production of high-technology goods; peripheral states concentrate on the labour-intensive production of raw materials and agricultural commodities; the semi-periphery is composed of transitional states either ascending to declining in the global order.[xxiii] This thesis gives us a more insightful perspective on the roles of states in the international system by considering their position in the production process according to their specialisations and capabilities.

Within the context of the world system theory, industrialised countries are in the process of undergoing rapid and substantive economic changes that will alter the dynamics of the core and periphery model of inter-state comparison espoused by world system theorists by adding a new dimension to it. This is due to the presence of an internal division of labour within the core of industrialised countries as well as between the core and periphery on a global scale. Consequently, the post-industrial labour divisions and the preponderance and relative autonomy of the global economy threaten the feasibility of state sovereignty. The advanced capitalist economies are outgrowing the regulatory and governmental framework architected by their states as they shift toward supranational blocs that have

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the potential to transcend and supersede the nation-state as it now exists.[xxiv] This may not necessarily be the case within the dependency theory of world development, though, because the strength of industrialised states is thought to be in their exploitation of weaker states, promoting the cohesion of the post-industrial state by predicating the nation's success on its solidarity. In light of these two conflicting theories, how one might interpret the impetus of states to continue to integrate into the world market in pursuit of capitalist advancement at the cost of nationalist confidence in the state is unclear. The popular convention was well phrased by former French Prime Minister Edward Ballador when he said, 'join the world or become irrelevant'.[xxv]

However, in order to draw meaningful conclusions about the effect of globalising economies on governments' ability to manage them, the control over domestic economies that the nation-state has traditionally enjoyed must be tested against the emerging circumstances. To arguments of the impending dissolution of the nation-state Kegley and Wittkopf[xxvi] contend that 'the territorial state has been the primary actor in world politics for nearly four centuries' and that it is still needed today. In spite of proclamations of a continuing decline in the supreme authority thought to be the vanguard of the sovereign state, a national government is still needed to raise taxes, provide military security and manage public services such as education, healthcare and social welfare. In terms of economic control, states generally intervene in markets to promote greater economic welfare than markets alone can produce. Hence, if the state's military and economic control is now being challenged by the expansive MNCs and transnational research and development environments that dominate much of the globe, its social and cultural power and penetration have, if anything, been enhanced in spite of the unprecedented transformations resulting from the information revolution.[xxvii] As such, the power of the contemporary state might cement its position as the nation's symbiote for longer than may otherwise have been the case.

Compounding the pervasive reach of the state is that in the twenty-first century citizens are equipped with a broader national identity, as opposed to the more localised ethnic identity of the early twentieth century, and their decisions are focused on the nation-state as a whole as well as an ethnonational community to which they belong.[xxviii] Past certainties regarding ethnonational identity and citizenship have atrophied in the era of globalisation. While globalisation exposes global communities to immense diversity, the consequence of domestic communities interacting with the global culture is divisive. Citizenship is based on unity rather than diversity, and differing social standards impede democracy. This is because citizenship is a political construct not a cultural or ethnic one. Thus, where globalisation proves culturally divisive to political units, it has a deleterious effect on national unity, particularly when considering the dissolution of egalitarianism in structural and institutional terms.[xxix] That the shadow of perceived ethnocultural assimilation has been entrenched within the notion of political integration does no favour for the nation-state that lauds itself as the neutral party in the new corporatist political landscape. As the arbiter of the ethnic majority nationalism, the state has facilitated the erosion, through exposure to and integration with global popular and consumer culture, of ethnic minorities without overtly assimilating them. This further undermines the legitimacy of the state that has been called into question by the shift of focus to corporatism engendered within government by the advancement of the capitalist agenda.[xxx]

Congruent with this position is the possibility that nationalism arising from global culture will transcend the nation-state and create fully fledged interstate nationalisms. Alternatively, Richmond hypothesises a trend away from nationalism and toward multinationalism. This trend will be facilitated by the information revolution experienced in post-industrial societies and will represent the genesis of a new type of society that may be achieved through the acceptance of great diversity within the structure of a supranational state.[xxxi] This seems unlikely, though, given that the world still remains explosively divided along civilisational, political, ideological, cultural, social, economic and racial lines. Countries still find it difficult to trust each other and even as ethnonationalism extends to accommodate the continuously widening scope of global culture, nations are unlikely to accept the subversion of their autonomy regardless of the potential benefits. Ideologies too suffer from the very failings that supposedly warrant the replacement of the nation-state, making them a poor and unpopular substitute.[xxxii] One outcome of this absence of a replacement for the nation-state is a resurgence of localised community-based ethnonationalism that provides a counterbalance to individuals who are struggling to reconcile their newfound global identity with the ethnic precepts of common history, memories and values.[xxxiii] This presents a conception of globalising capitalism that encapsulates a worldwide overlap of identity without constituting a new ethnic or nation. The future of the nation-state in this abstraction is weakened by the globalisation stage of capitalism but not defeated by it.

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That the globalisation stage of capitalism could overcome the nation-state entirely seems to be an overzealous explanation for the reduction of the state's sphere of influence within its territorial boundaries that have resulted from the interconnection and interdependence with other states that has been required by the globalising movement. It is true that the modernisation stage of capitalism forged the homogenised nation-state that has been diminished by the new wave of capitalism that has precipitated the integration of the advanced capitalist countries with the worldwide economy, but this has not necessitated the downfall of the nation-state for the reason that global culture fails to adequately centre the ethnonationalist identity that citizens of a nation-state feel within their local community. The nation-state has become more open to multilateral transactions on the world stage and is accustomed to engaging with other nations and cultures. Nonetheless, the ethnic requisites to which nations generally subscribe are not met by global citizenship and the nation-state is still required to provide a locus of stability in ethnic identity and an umbrella of protection from the rest of the world. The notion that globalising capitalism will erode the affinity that individuals hold with their nation and replace it with supranational blocs neglects that civilisational and cultural divergence are as politically and socially inflammatory as always. Weakened and transformed it may be, but the nation-state is here to stay for the immediate future.

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